# THE FREEMAN

Ideas On Liberty

- For the Children
- The Origins of the Public School
- Character and Government
- Walter Williams on Social Justice

JULY 1998

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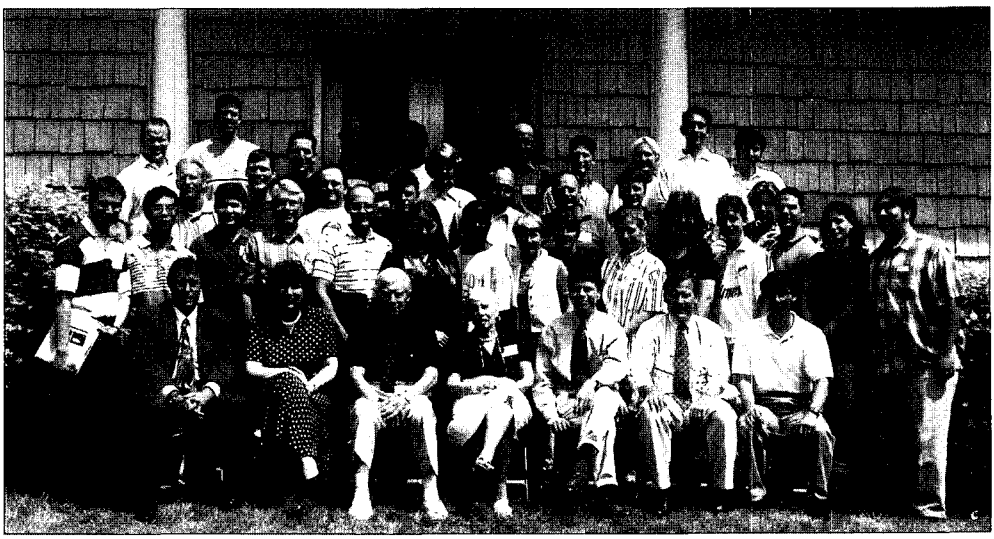

*August 1997 Seminar*

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THE FREEMAN
Ideas On Liberty
July 1998 Vol. 48, No. 7

## FEATURES

**388** **For the Children** *by Russell Madden*
Surviving the age of "bureaucrats know best."

**391** **The Heritage We Owe Our Children** *by Leonard E. Read*
Passing down the legacy of properly limited government.

**394** **Character and Government Policy** *by Dale E. Walsh*
A teacher learns from his state-nurtured students.

**400** **Educational Decarceration** *by Daniel Hager*
Dismantling government schooling.

**403** **The Origins of the Public School** *by Robert P. Murphy*
How American private education was displaced—and why.

**407** **Guess Who Paved the Road to Socialized Medicine** *by Sue A. Blevins*
The Republicans' role in creating a new health-care program for children.

**410** **Let's Not Throw American Medicine into Boston Harbor** *by Jane M. Orient*
Restoring the medical and economic well-being of individual patients.

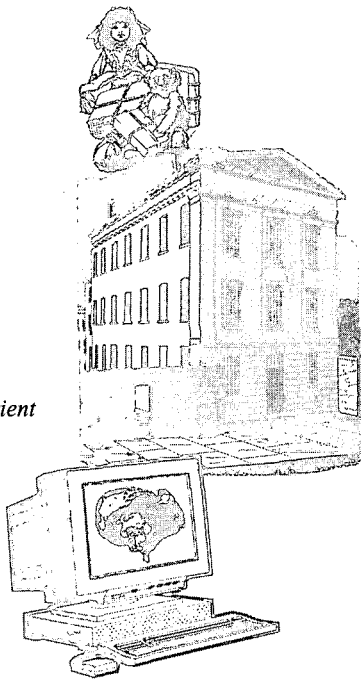
**414** **Climate-Change Worries in the Eighteenth Century** *by Aubrey Drewry*
Concerns about global climate change are not new.

**418** **Should There Be a Carbon Subsidy?** *by Roy E. Cordato*
Are the advocates of energy taxes arguing from good faith?

**422** **The Taiwan Model** *by Hugh Macaulay*
An economic success story.

**427** **The Wild West Meets Cyberspace** *by Andrew P. Morriss*
The fruits of spontaneous order, then and now.

**434** **Whose Rules? Whose Law?** *by Jesse Walker*
Ill-begotten spending programs (such as the American Heritage Rivers Initiative) just keep rolling along.



## COLUMNS

Center *NOTES from FEE*—**What Is the American Constitution?** *by Donald J. Boudreaux*

**398** *IDEAS and CONSEQUENCES*—**Billions for a Misconception** *by Lawrence W. Reed*

**412** *POTOMAC PRINCIPLES*—**America's Permanent Criminal Class** *by Doug Bandow*

**420** *PERIPATETICS*—**Such a Deal!** *by Sheldon Richman*

**432** *ECONOMIC NOTIONS*—**Social Cooperation and the Marketplace** *by Dwight R. Lee*

**437** *ECONOMICS on TRIAL*—**Milton Friedman, Ex-Keynesian** *by Mark Skousen*

**447** *THE PURSUIT of HAPPINESS*—**Social Justice** *by Walter E. Williams*

## DEPARTMENTS

**386** **Perspective**—**Barbarians at the Gates** *by Sheldon Richman*

**440** **Book Reviews**

•**The Fire of Invention: Civil Society and the Future of the Corporation** by Michael Novak, reviewed by John Hood; **1998 Index of Economic Freedom** by Bryan T. Johnson, Kim R. Holmes, and Melanie Kirkpatrick, reviewed by William H. Peterson; **Hot Talk, Cold Science: Global Warming's Unfinished Debate** by S. Fred Singer, reviewed by Ben Bolch; **The Twenty-First Century City** by Stephen Goldsmith, reviewed by George C. Leef; **Drawing Life: Surviving the Unabomber** by David Gelernter, reviewed by John Attarian.

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PERSPECTIVE

## Barbarians at the Gates

I stand second to none in my admiration for Bill Gates. He is the model of a man who gets pure pleasure from exercising his intellect. In the process, he has helped bring on the technological revolution that has made life so much better. That explains his astounding fortune. It also explains the envy on display, among other places, at the travesty of a hearing held by Senator Orrin Hatch's Judiciary Committee last winter. Senators whose efforts consists in looting productive people to further their careers in power had the gall to sit in judgment of one whose achievement obviously surpasses their powers of comprehension.

Gates's rivals were also there. Scott McNealy of Sun Microsystems, which still resists the personal-computer revolution, called Gates "the most dangerous industrialist of our age." I waited for the derisive laughter. I forgot that McNealy was talking to distinguished members of the U.S. Senate.

A few weeks earlier in Europe, someone stepped from the shadows to throw a pie in Gates's face. I had an "Ayn Rand" reaction: here was a self-loathing nonentity trying to humiliate the world's best symbol of success. Who was humiliated?

Then there were the comments the day of the big stock-market drop last year. Peter Jennings of ABC News, in an afterword, pointed out to his smarting viewers that, on paper, Bill Gates had lost over a billion dollars—"if that makes you feel any better."

As a Gates admirer, I'd like to offer some advice: don't be embarrassed by your success or ambition. When interviewed by Matt Lauer on the "Today" show in February, you were just that. The occasion was your appearance at the first library, in Alabama, to benefit from your project to wire "public" libraries to the Internet. (Leave aside for now the tax-funding of libraries.) Twice Lauer asked you to acknowledge that your tax-deductible $200 million contribution would be good for Microsoft and you personally. Twice you evaded the question. You and other business-



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men are going to have to stop being ashamed of the fact that in all transactions freely undertaken, all parties profit. Until you do so, liberty will continue to be in jeopardy.

* * *

Every few years the statists come up with a new reason for their meddling. Once statism was justified by the market's alleged deficiency in producing wealth or "distributing" it fairly. Then it was the environment. Now it's the need to assure our children a decent future. Several *Freeman* contributors this month focus on this excuse for violating our liberty.

Russell Madden begins with an overview of the issue, showing how a legitimate concern with children has turned into a blank check for the state.

Next we reprint another classic essay by FEE's late founding president, Leonard E. Read. This installment of our year-long series celebrating the 100th anniversary of Mr. Read's birth reminds parents of their obligation to pass the appreciation of liberty on to their children.

Dale Walsh draws on his experience as a teacher to show how the welfare state corrupts the character of children.

Daniel Hager contemplates the ways that children are hurt by their "incarceration" in that alleged institution of learning, the public school.

Robert Murphy takes us back to the origins of government schooling to demonstrate that, by intention, it undermines the family, indisputably the best setting for raising children.

The current occupants of the White House, the would-be First Parents, are of course masters at exploiting children for political purposes. Sue Blevins dissects their new, Republican-backed plan to throw the net of medical care over this vulnerable segment of society.

Dr. Jane Orient broadens the discussion to demonstrate what is wrong with the entire medical system. At the bottom of every problem lies the visible hand of government.

Concern about global climate change is nothing new. Some great Englishmen worried about it in the 1770s and devised a startling plan to counteract it. Aubrey Drewry introduces us to the Lunar Society of Birmingham.

And speaking of climate, believers in global warming want to tax the use of fossil fuels to make up for the alleged damage from carbon dioxide emissions. By that logic, Roy Cordato asks, if $CO_2$ is beneficial, would environmentalists want to subsidize it?

Taiwan has every reason to be a backwater island nation. But it's rich. Hugh Macaulay resolves the paradox.

Critics of the Internet compare it to the Old West. An apt comparison, Andrew Morriss writes, but not quite the way the critics intend.

Can the President of the United States, without the consent of Congress, ignore the Constitution and start a new spending program in the name of the environment? Apparently so. Jesse Walker explains.

Our regular columnists harvest an interesting crop of insights. Lawrence Reed says there is another reason to not worry about population growth. Doug Bandow muses on the career of a congressmen caught in the act. Dwight Lee explains how social cooperation arises out of millions of people seeking their own good. Mark Skousen looks at a lesser-known side of Milton Friedman. And Walter Williams considers the meaning of "social justice."

In the book section, our reviewers check out volumes on the nature of the corporation, economic freedom, global warming, the future of the city, and life after the Unabomber.

—SHELDON RICHMAN



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THE FREEMAN
Ideas On Liberty

# For the Children

by Russell Madden

Most parents love their children and seek only the best for them. Indeed, the notion that the next generation should have better and easier lives is best illustrated by the countless immigrant parents who suffer back-breaking labor, long hours, and economic deprivation. That motivation is an integral part of the American vision.

The focus on children and their needs and desires permeates our society. Whether represented by a mother enduring long lines and jostling crowds to purchase this year's hottest toy or by indulgent grandparents spoiling their grandchildren, the trend seems to be intensifying.

As long as such activities are confined to the home, no harm is done . . . except, perhaps, to the family's budget or a parent's patience. Even childless people may gain some amusement, pleasure, or relief when observing the lengths to which modern-day parents will go to please their tiny alter egos.

Unfortunately, the boundaries of child-centered concern long ago expanded to include government action. The increasing politicization of the intimate bonds and responsibilities of parents to their children has restricted our freedom in innumerable ways.

Many of the policies designed "for the children" dovetail neatly with an odd fixation on "safety at any cost." The combination of these two rationales drives us inexorably down a dark road that is becoming increasingly difficult to exit.

A desire for safety is, of course, no more inherently odd than is an interest in the development and well-being of one's children. Parents rightly seek to protect their children from life's multiple and endless hazards, provide them a secure and stable environment in which to grow, and ensure their general safety.

When those goals are achieved, however, by violating the rights of neighbors, the patina of respectability overlaying self-professed good intentions quickly chips away to reveal the corrosive essence of tyranny. Need can never be a claim on the wealth, property, or lives of one's fellow citizens.

Through increasingly restrictive and intrusive laws, regulations, and rules that strangle civil society, politicians offer bribes that few constituents can or will refuse. If challenged that their actions undermine freedom and install paternalistic control, the dispensers of largesse purchased at others' expense righteously reply that they are doing this "for the children."

Who could be against children?

The debate is thus skewed in favor of middle-class entitlements and protection dressed up as benevolence toward poor, defenseless children unable to care for themselves. The fundamental principles involved in this slow-motion takeover of American family life are lost in a political sleight of hand. Freedom, justice, and equality before the law become disposable abstractions.

*Russell Madden teaches at Mt. Mercy College in Cedar Rapids, Iowa.*



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## A Transformation

The for-the-children mantra magically transforms acquisition of goods provided by unwilling others. Theft, robbery, and extortion become caring, compassion, and generous concern. Since few are willing to expose the sleight of hand, such assaults on our liberty continue.

A few examples make the point:

• Government indoctrination, also known as public schooling, was imposed on our country ostensibly to ensure that our children did not grow up to become ignorant and incompetent adults—despite any compelling evidence that parents had failed in their obligations in this arena. Even Thomas Jefferson advocated (limited) government support for nurturing students in their education. The consequences of losing autonomy in this single realm continue to reverberate in our country, providing a source of continual friction and contentious wrangling that hungrily gobbles up not only countless billions in wasted wealth but big pieces of our freedom as well. In a kind of self-fulfilling prophecy, government-run schools make certain that children learn only the versions of history, politics, and economics that cast the current political status quo in a favorable light.

• Meanwhile, parents lacking power are forced to subsidize the teaching of ideas and values they may abhor. Childless adults stagger along under heavy property taxes to support institutions providing a service they do not need. To add insult to injury, constant bond issues add to their burden as pretty new buildings hide the ugly truth of a dumbed-down, increasingly ignorant and incompetent student body—the very result used to justify government's invasion of education in the first place.

• Telephone rates on second phone lines and other services are increased to provide money to wire every school in America to the Internet regardless of whether this is truly the best avenue for providing a sound foundation of knowledge for children. As a bonus, many educators and families obtain "free" Internet access for which others must pay monthly out of their own pockets.

• In a direct assault on freedom of speech, politicians seek to regulate that same Internet and World Wide Web . . . for the children. Ignoring the primary role of parents in governing their children's activities, the state declares that only it can keep innocent children safe from the disturbing images of pornography, the dangers of conversing electronically with sexual predators, and the politically incorrect ideas floating uncontrolled in cyberspace.

• Paralleling these efforts at censorship, politicians force television manufacturers to place a "V-chip" in new televisions to block out violent images. Computer monitors are next on their list. In a similar vein, the state "persuades" television networks "voluntarily" to rate their programs to protect impressionable young minds. Music recordings, comic books, and other media designed to attract a youthful clientele also fail to escape the scrutiny of our ever-vigilant government nannies.

• Advertising on children's television shows is limited even as networks are forced to provide a set amount of "children's educational programming," which invariably proves to be a ratings loser.

• "Joe Camel" is declared *animal non grata* lest his image corrupt kids and trap them into a lifetime of nicotine addiction. Other cigarette promotions are outlawed for similar reasons. Humorous beer commercials that might appeal too much to underage consumers are also threatened with banishment if they are not changed.

• Large breakfast-cereal companies are the subject of congressional ire when the prices of their products seem to pose a barrier to consumption by our youngest citizens. Of course, when the supply is readily purchased, the products are castigated for containing too much sugar and not enough nutritional value.

• The Family Leave Act is passed with great fanfare. Mothers can take months off their jobs to bond properly with their children and yet still have their positions guaranteed on their return. Childless couples are left to pick up the slack, working longer hours or taking on additional duties to cover for their absent coworkers.

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• Fearing that children will suffer physically, emotionally, or socially from caregivers unlicensed—and uncontrolled—by the state, our political leaders call for greater regulation of the day care industry. To aid parents even more with their child-care needs, the President calls for billions of dollars in subsidies.

• To further safeguard the health of the nation's youth, the government moves to extend health coverage to young, uninsured children, providing a matching bookend to the seniors it already controls via Medicare. (See Sue A. Blevins's article beginning on page 407.)

• To overcome the lax care of less-than-vigilant parents, government orders air bags for cars, skillfully avoiding any mention of the dangers to children they represent. Demanding that babies be secured in car seats and toddlers by seat belts, the state provides further opportunities for creating unwitting criminals of distracted parents. Helmets for young bicyclers become another symbol of government sovereignty.

• The rights of adults to defend themselves as recognized by the Second Amendment are infringed by "gun-free zones" near schools, by laws requiring that guns be locked up or broken down and stored separately from ammunition, or banned entirely, all so children will be safe—despite the fact that accidents involving firearms have steadily decreased even while gun ownership has soared.

• Even the intellectual development of infants falls under the purview of the government as a Southern governor, Zell Miller of Georgia, declares that each newborn shall be provided with a cassette or CD of classical music—paid for by the taxpayers.

## Too Many Parents Agree

Implicit in these programs, proposals, and laws is the insulting assumptions that parents are incapable of making the best decisions for their children, that only a bureaucrat who has never met any particular family or knows its unique context is qualified to make such profound and long-reaching decisions regarding the children of this country. Sad to say, too many of those self-same parents, obsessed with safety or befuddled by the complexity of the modern world, apparently agree with that dismal assessment of their abilities; either that or they drop the responsibility for their lives and that of their children into the eager, grasping fingers of the state, relieved to have someone else do the worrying for them. If confronted with the resentment of those whose freedom is diminished as they are forced to pay for another's consumption, these parents evade the consequences of what they do and indignantly claim that anything and everything the government offers them is theirs by "right."

Doubtless, many parents are sincere in their beliefs. Equally certain is the error at the base of their reasoning. Engaging in a quixotic quest for a risk-free existence is a fool's errand—even more so when done while violating the rights of others. As Benjamin Franklin said in 1759, "They that can give up essential liberty to obtain a little temporary safety deserve neither liberty nor safety." Not only do they not deserve those values, ultimately they will lose what they so desperately seek.

Anyone truly concerned with promoting the welfare of children now and into the distant future should do everything he can to peel away the multitudinous layers of constraints smothering our nation. If safety and full personal development of our people are the goals, the best course is one that restores justice and freedom.

Let's do it for the children . . . and ourselves. □

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Anything That's Peaceful

# The Heritage We Owe Our Children

by Leonard E. Read

"But he who looks into the perfect law, the law of liberty, and perseveres, being no hearer that forgets but a doer that acts, he shall be blessed in his doing."

—James 1:25

A few men who did look into "the law of liberty" bequeathed to present-day Americans a unique heritage. They were the authors of the Declaration of Independence, the Constitution, and the Bill of Rights. In what respect were these political documents unique? First, they unseated government as the endower of men's rights and placed the Creator in that role. Second, they more severely limited government than ever before—for the first time in history, hardly any organized coercion standing against the release of creative energy. Result? The greatest outburst of creative energy ever known, simply because the millions were free to act creatively as they pleased. Political power diminished and dispersed beyond the ready grasp of authoritarians who would run our lives. That was the American miracle!

Each of these founders is thus—according to the biblical prescription—"blessed in his doing." There are, however, two sides to this law-of-liberty coin. That which has been bequeathed to us carries an obligation that we, if we be doers who act, bequeath this heritage to our children, to oncoming generations! Indeed, it has been written, "It is more blessed to give than to receive."

It is easily demonstrable that giving is the precedent to receiving. The more we give the more we receive. Thus, if we would retain and strengthen that heritage bequeathed to us, we *must* bequeath it to our children. The discharge of this obligation is, in fact, nothing more than *enlightened* self-interest, precisely as is the payment of any debt. When one strives to be a pattern for oncoming generations—our children—he reaches for the best in himself. Help them, help oneself.

Most Americans who give it serious thought would approve acting according to the law of liberty. Yet, in today's world, this is more of a challenge than first meets the eye—more, far more, than was the case with our Founding Fathers. Our politico-economic sires were familiar with the tyranny—authoritarianism—from which they found escape. It was close to their skins, as we say. Their children, however, were a generation removed from the actual experience. We, in our times, are seven generations removed, and have little

*Leonard E. Read established FEE in 1946 and served as its president until his death in 1983. This article, reprinted from the September 1976* Notes from FEE, *is the seventh in a monthly series commemorating the 100th anniversary of Mr. Read's birth.*



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to go by except a dwindling hearsay. We lack the stimulus to draw a sharp distinction between the Command Society and the Free Society.

There is yet another deterrent to becoming "a doer that acts." By reason of our heritage, a vast majority of this later generation are inclined to take the American miracle as much for granted as the air we breathe—neither of which is much regarded as a blessing.

The "hearer that forgets"—one who lacks awareness of liberty as a blessing—is unlikely to be "blessed in his doing." Nor can such "hearers only" confer on their children the heritage their ancestors bestowed on them. Because of an abysmal unawareness, they receive without gratitude and, for this reason, their failure to give is attended by no sense of wrongdoing. Indeed, unless they act according to the word, they will continue digging ever deeper into the pocketbooks of their children—a far cry from the law of liberty.

What steps are required, then, for a return to liberty by the millions who have innocently gone along with "leaders" of the Command Society? Assume that our well-meaning individual would do not unto his children that which he would not have had his ancestors do unto him, that he would give to his progeny at least as much as he has received—if not more: where must he begin and where should he go in his thinking? Because it is more blessed to give than to receive, how best can he attend to his own self-interest? These are questions each of us must try to answer, for no one among us is flawless. Improvement in understanding and clarity in exposition is a potentiality of everyone who lives!

It seems obvious that the initial step is to grasp the very essence of Americanism: ". . . that *all* men are endowed by their Creator with certain unalienable Rights, that among these are Life, Liberty. . . ." This acknowledges the Creator as the endower of our rights to life and liberty and, for the first time in the history of nations, casts government out of that role.

Until 1776, men had been killing each other by the millions over the age-old question as to which form of authoritarianism should preside as sovereign over human lives and livelihood. The argument, till then, had not been between freedom and authoritarianism, but over what degree of bondage. Our heritage stems from this glorious triumph of human liberty—*everyone* free to act creatively as he chooses. I devoutly believe, along with our Founding Fathers, that the source of human creativity is the Creator.

The next step is to recognize the real meaning of the Constitution and the Bill of Rights. As a student of American history some 65 years ago, I was taught to pay obeisance to these political documents. But even then, it was scarcely more than a gesture, comparable to a salute or a pledge of allegiance to the flag or singing "My Country, 'Tis of Thee." Few teachers knew the real meaning in 1776, fewer still when I was a boy. And today? Possibly one in a thousand!

For the true significance, reread the Constitution and the Bill of Rights and note that there are 45 "no's" and "not's" circumscribing governmental power. Reduced to a sentence, they decree: "Government, keep your coercive fingers out of these activities; we reserve these—all of them—to ourselves as free and self-responsible citizens!" The beneficial results were more than I can count but three should be obvious:

1. *Fewer* political know-it-alls meddling in private affairs than ever before!
2. *More* free and self-responsible men and women than ever before!
3. A *greater* outburst of creative energy than ever before!

An agency of society to invoke a common justice and to keep the peace is a social necessity. Its role is to codify the taboos—injustices—and punish any trespass on individual rights. Bear in mind that coercive force is implicit in such an agency. Ideally, it is our protector. *But to expect that coercive force so delegated will be or even can be self-limiting is utterly absurd.* Yet that is the common view today. This carelessness is fatal to a good society. Why? Our hoped-for protector turned plunderer, as we are witnessing.[1]

There is one remedy, and one only: eternal vigilance on the part of the citizenry is the

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price of liberty. How be vigilant? Master the "no's" and "not's" set forth in the Constitution and the Bill of Rights and insist with all the reason one can muster that the taboos limiting runaway power be strictly observed. If we would bequeath to our children that which our Founding Fathers bequeathed to us, this is the price. Is that price too high? Not if we can discover where our self-interest lies!

Given these foundations for enlightened self-interest, one may appreciate, with Henry Hazlitt, that economics "is the science of tracing the effects of some proposed or existing policy not only on some special interest in the short run, *but on the general interest in the long run.*" Our children's interest, as well as our own!

A sampling of how one, thus enlightened, will react to some of the modern proposals for political intervention:

*He hears:* The way to prosperity is to increase farm prices.

*He reacts:* This makes food dearer to city workers.

*He hears:* The way to national wealth is by means of governmental subsidies.

*He reacts:* This is to claim that more goods result from increased taxes.

*He hears:* The road to recovery is to increase wage rates.

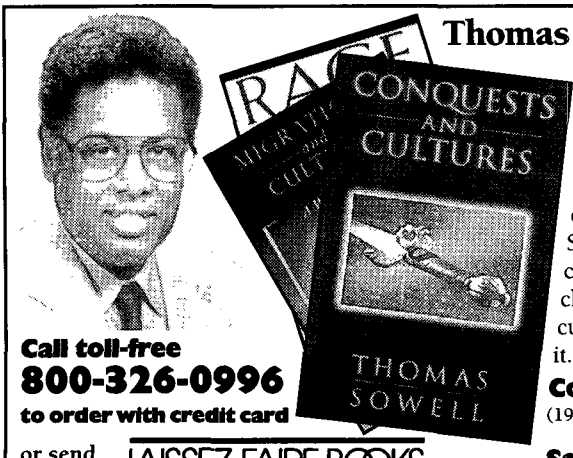
*He reacts:* This is to say that recovery depends on higher costs of production. On and on, ad infinitum![2]

A good guideline by John Stuart Mill: "Whatever crushes individuality is despotism, by whatever name it may be called." Our Founding Fathers saw eye to eye on despotism and declared their independence of it. May we follow in their footsteps! And more good counsel: "Don't hoard good ideas. The more you radiate [share], the more you germinate." This is another way of asserting that "It is more blessed to give than to receive."

The heritage we owe our children is to look into the perfect law of liberty, be doers of the word and, thus, blessed in our doing. □

1. There's a delightful story of how Congressman Davy Crockett stumbled into a keen awareness of the distinction between protection and plunder. See "Not Yours to Give" on our website, www.fee.org. Or contact FEE for a printed copy. (Please enclose a stamped self-addressed envelope.)

2. These examples paraphrase ideas from *Economics in One Lesson* by Henry Hazlitt, available from the Foundation for Economic Education, Inc.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THE FREEMAN
Ideas On Liberty



# Character and Government Policy

by Dale E. Walsh

While growing up, I assumed that all people valued freedom and therefore did not want intrusive government. Throughout my early schooling I was taught to admire our country's Founding Fathers, who threw off British tyranny to unleash the most free society the world had ever known. But when I went to college I encountered classmates who contended that ending the welfare state was a bad idea—and unfair for economically disadvantaged people. In class after class my arguments against welfare seemed, at worst, selfish or, at best, quaint. Part of the problem was that I was unable to furnish real-life examples to support the idea that people could be harmed by government largesse.

My opportunity to see government "help" firsthand came when I began teaching high school in the small southeast Georgia town of Waycross. No new industry had moved there since 1969, and poverty was rampant. As a conscientious newcomer, I decided that classroom education would mean nothing to my students unless it made them want to better their lives. It sounded simple, but I soon realized that government "help" could influence people not to want to improve their lot in life.

My first step was to show my students the advantages of self-empowerment. This appeared to be the best approach because adolescents are self-absorbed and an appeal to their self-esteem theoretically could not fail. They would feel so much better about themselves if they could begin to effect positive change in their lives. In market terms, I aimed to help them see that the only capital they had was themselves. Therefore, their best immediate action would be to invest in their personal capital by focusing on education and developing good work habits.

I lavished encouragement on my students and made daily mention of historical and present-day achievers. To my dismay, my plan failed. As far as I could see, breakfast and lunch were the only scholastic events of interest to them. Sure, teenagers are notorious for irresponsibility, but if one looks deep enough, some evidence of concern for the future normally shows itself. But lack of focus was endemic throughout our school. I could not understand it. These young people were intelligent. Why weren't they using education as a way out of their poverty? Achievement seemed meaningless to them.

## Character Through Hard Work

My own parents had taught me to see life in terms of effort. They were hardy blue-collar people who believed that survival and prosperity required constant struggle. To develop strong character in me they had constantly stressed the importance of hard work. For as long as I could remember, they had required that all my endeavors be performed to the best of my ability. They also made sure I recognized work as the only provider of needs and

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privileges. "Money doesn't grow on trees," my mother often said. My father responded to poor effort by commenting, "No boss will pay you to do it that way." In other words, wealth did not just appear out of thin air. It had to be earned by producing something worthwhile. Without realizing it, my parents had used character lessons to teach me the basic tenets of market economics.

My mistake in dealing with my students had been to assume that their world view was the same as my own. It turned out that their perception of the world was vastly different. Unfortunately, their parents had taught them to function in a world that was not shaped by market influences. They had received entirely different lessons on the provision of needs and privileges. For instance, I soon found that 95 percent of our student body received subsidized breakfast and lunch at school. Welfare checks provided income for most of their households. Likewise, the exchange of food stamps for groceries was an everyday occurrence. Federal programs also paid for their medical care.

In fact, government policy had made it unnecessary for my students to learn much about work. It had created a misguided economic system in which income was not based on production of goods and services but rather on "need" (defined as eligibility for government programs). I saw why school had no meaning. Why on earth would a rational person do anything toward self-improvement when such betterment would render one less needy, and therefore, less likely to receive benefits? In other words, my students were a living demonstration that people do become dependent on government assistance.

Faced with this situation, I thought of the arguments my college classmates had made. Could it be that I was just trying to inflict my world view on disadvantaged people? Wasn't it nice that I could indulge in this noble free-market philosophy from a position of health and moderate prosperity?

Then the students provided the concrete examples I had been unable to offer in college discussions. The first clue came when the teenagers complained about their "free" lunches (which were really quite good). This ingratitude toward the kitchen was intolerable given that to receive this daily meal these young people merely had to pick up a tray. Common courtesy dictated that even if one received a horrible gift, the giver should at least receive a "thank you." However, these students had been taught to believe that they were entitled to government gifts. Simply stated, the government owed the benefits to them and furthermore, if something is owed it can even be demanded. To make matters worse, the attitude, demeanor, and character of the recipient had no bearing on whether or not the benefit will be given. As long as the students could demonstrate need, why should they bother with gratitude?

This notion of being owed something had infected all areas of their lives, with disastrous consequences. The benefits received were not earned in any usual sense of the word. Certainly no personal labor had been exchanged for the wealth received. This in turn affected their respect for private property. If they saw something they wanted, they took it. From their point of view, this made perfect sense. If they were entitled to or owed benefits from the government without any work being exchanged, then why should they bother to work for any of their possessions? The concept of ownership implies that something, usually work, has been exchanged for the created or transferred wealth. How could these young people be convinced of the immorality of stealing when everyday they received wealth (government benefits) they had not earned? In other words, if they were owed item A (benefits) without the exchange of labor, then why were they not also owed item B (another individual's shoes or jacket)?

## Community Framework

This clashed with the private-property rights I had been taught as a child. I had learned to respect my own labor and belongings as well as those of others. Furthermore, our community had tended to be wary of threats to any property because destruction of a neighbor's wealth could lead to the destruction of our own. The whole community frame-

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work was built on personal labor provided to the marketplace for the purpose of wealth creation. My students had not experienced any of this. Neither their wealth nor their neighbor's had been earned, so neither was valued. The government had taught them that based on their need they were entitled to a living. If society furnishes wealth to people without requiring labor in return how are the recipients to learn respect for private property?

To my students, being entitlement recipients meant they did not have the same obligations as the rest of society. One result of this was a remarkable lack of compassion for their fellow man. The mere thought of being the least bit inconvenienced for the sake of another person was abhorrent to them. The idea that the school would look more presentable if they cleaned up after themselves made no sense to them. In their view, they were owed the subsidized meals and since they were needy it was not fair to ask them to return their dirty tray to the dish room. Likewise, it was an unjust demand to ask them to pick up trash that did not belong to them.

The focus on being needy had the additional unfortunate consequence of teaching them to be helpless. My students' typical response to difficulty was to quit. If an assignment was the least bit taxing they would just give up and turn in nothing. When told they were acting like quitters, they were unfazed. In my parents' work-focused household, quitting meant one was guilty of cowardice, laziness, or unwillingness to accept responsibility. Quitting had no such meaning for my students. This was frustrating, but it made sense. Once again their actions were in total agreement with their life experience. Quitting in life (for example, drunkenness, drug addiction, poor money management, abandonment of one's family, not going to work) resulted in the receipt of government benefits. After all, quitting demonstrated need, not ability. Government policy had a pattern of actively rewarding wrong, unhealthy, imprudent, and unprofitable behavior, so there was no reason to bother trying. Cash was available for failure, even for being "disabled" by enslaving one's life to drugs. (No one in his right mind would ever give cash to drug users, but the Social Security Administration issues disability checks to them and to drunks.)

Government policy even subsidized negligent parenting. Usually parents would be quite upset if their child failed a class, for it would mean time wasted retaking the class and money wasted if the class was made up in summer school. Neither of these considerations ever entered the thinking of parents in our school. Extra time in school was just an opportunity to receive extra benefits. If the child attended summer school, no financial hardship ever reached the parent, because the government paid summer-school tuition.

Government subsidy of parental neglect went even further. Parents of an unmanageable child could receive disability checks for him. In the community these were known as "crazy checks." Mothers would qualify their children by deliberately making them irritable or excited before taking them to the Social Security office; sometimes they would even give the children candy and soft drinks in an attempt to make them "hyper." Once in this program, a status was created that later qualified the child for special programs and treatment in school. (This had disastrous effects on school discipline, for children in special education could not be expelled from school. Our school had 10 to 15 percent of the student body in special education.)

## Self-Perpetuation

There were even programs guaranteed to make the entire process self-perpetuating. Teenage girls saw their mothers receiving benefits for having babies because additional children created more need. By becoming pregnant the teenager herself could receive benefits. How does one inspire a 15-year-old girl to delay becoming a mother so she can devote herself to school and later have a decent job and self-respect? What argument can sway her when all she has to do to receive immediate income is to prove to the government that she has conceived a child? Ready examples of sisters, close friends, cousins, or aunts receiving benefits only made the wrong decision easier. Children of children were ignored and neglected, and the whole cycle

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was ready to begin again. How can such a government policy for disaster be called a "benefit"?

Another terrible consequence of the entitlement culture was that time was no longer precious to my students. The idea that they might make something of their lives did not matter to them. This explains why they were unconcerned about receiving low grades. An F has no meaning in itself. Students trying to make something of themselves fear an F because of its consequences. In the short term, time is wasted. In the long term, doors are possibly closed forever. But wasted time and opportunities are only significant if achievement is valued. Another year of school to my students only meant another year of receiving "free" breakfast and lunch from the government. They did not see the time involved as being wasted or lost because for them time had no value. Furthermore, crime was also not a problem because at worst it would result in prison. As they frequently stated, "What's so bad about prison? It's air conditioned and you get free food." Such emptiness from a 14-year-old is frightening, but it was a common view.

This entire phenomenon can be expressed in market terms. Normally, people see each human life as valuable; they realize each life is different and can only last a given amount of time. In other words, human life is scarce. This combination of value and limited time usually fosters a sense of urgency in using one's life as efficiently as possible. The shortness of life motivates people to accomplish as much as possible, and so all areas of life become important. Good grades are just the beginning. Following school, wise choices must be made regarding a mate, a career, and the manner in which one raises one's children.

I then realized that the welfare state had addressed the problem of poverty in material terms. Note that government policy treats people as physical beings only. Merely supplying food and shelter does not address the humanity of the recipient. To fully meet the needs of a human being, the provider of physical necessities must consider the effect on the recipient's character. At each instance where difficulty would have built my students' characters, the government had intervened to destroy character and therefore *them* as human beings.

Some might argue that the government has no business being concerned with what is proper character, but this argument misses a key point. It is one thing for "benefits" to cause a person not to learn the rewards of hard work. It is something else when the "benefits" actively assist people in destroying their lives. It might be asked how society should respond to need? Does not human compassion prescribe that we as individuals buffer another's hardship? Yes, but with *all* of the recipient's being in mind. Help in the present is of little use if it prevents a person from achieving success in the future. To actively encourage the continuation of need and to remove the incentive to end the cycle of dependence—that is enslaving, dehumanizing, and immoral. The cost in individual lives is just too high to think otherwise. The emphasis on qualifying for government programs takes away the recipient's dreams and future. It teaches him to live in failure by not encouraging him to succeed.

A further concern is that all these individual examples of poverty affect society as a whole. Consider the values necessary for a nation to grow: respect for private property, honest labor, and one's fellow man. We know these as the principles of freedom and the foundation of judicious government. History has demonstrated that without these convictions, a nation cannot be prosperous and free. Unfortunately, government agencies have been indoctrinating millions of people to live in total disregard of these principles. The results can be seen in the ruined lives of my students and their families. These individual examples compound to affect our nation's character.

It had been easy for my college classmates to argue that poor people need government help. Now I know firsthand that limited government is not only good political theory, but also a practical way to protect the poor from government "benefits." Unfortunately, it is possible for people to forgo achievement for the sake of mere existence. Government welfare policy cheapens human life when it encourages such a way of life. □

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# Billions for a Misconception

The children of David Packard, the late Silicon Valley entrepreneur who co-founded the Hewlett-Packard Company, have a monumental job on their hands. Since their father's death in 1996, they have been charged with fulfilling his most passionate desire: to spend billions of the family foundation's dollars on behalf of world population control.

If Mr. Packard had understood this issue as well as he knew how to generate a fortune in the computer business, he would not have been a population alarmist and his heirs would be spending his money on more productive things than abortion training in Ethiopia or contraceptives in Seattle. This is a classic case of misinformation compounding itself into a colossal misdirection of energy and resources.

Ever since anyone was willing to listen, scaremongers have been warning us of the imminent dangers of world overpopulation. Thirty years ago in his 1968 best-selling book, *The Population Bomb*, Paul Ehrlich told us that governments would have to take an active role in forcing population growth down or "we will breed ourselves into oblivion." Ehrlich warned that in the 1970s, "hundreds of millions of people (including Americans) are going to starve to death." He said he "would take even money that England will not exist in the year 2000."

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Sometimes, the scare talk has been such to make even Paul Ehrlich's prophecies seem reasonable. A British scientist in the early 1960s calculated that in less than a thousand years, "people will be jammed together so tightly that the earth itself will glow orange-red from the heat." An article in the July 23, 1962, issue of *Newsweek* warned that "By the year 6000, the solid mass of humanity would be expanding outward into space at the speed of light."

## A Population Implosion

A wealth of information, cited in two recent eye-opening articles in the mainstream media, makes Chicken Littles out of Ehrlich and the doomsayers. If there's a danger to the world from its human population, it is from the prospect of too few people, not too many. The Packard family does not have to worry that humans will overrun the planet before their billions run out.

In the Fall 1997 issue of *Public Interest*, Nicholas Eberstadt writes that some of the world's best demographers are seriously proposing the possibility that the world's population, rather than continuing to increase in the next century, will actually peak and then begin to decline. Eberstadt cites a publication from the United Nations Population Division that includes a credible projection that the world as a whole will reach zero population growth by 2040 and will shrink thereafter by roughly 25 percent with each successive generation.



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Wars and famines are not factors at all in these surprising numbers. Tumbling fertility rates are. A revealing article by Ben J. Wattenberg in the November 23, 1997, *New York Times Magazine* puts it bluntly: "Never before have birth rates fallen so far, so fast, so low, for so long all around the world."

If women were having children at the rate of 2.1, the population would simply replace itself, with no net increase or decrease. From an explosive fertility rate of 5 just a half century ago, fertility worldwide has plummeted to 2.8 and continues to sink. Drawing largely from the same U.N. publication as Eberstadt, Wattenberg illustrates how dramatically this decline shows up in certain countries:

> The rate in Bangladesh has fallen from 6.2 to 3.4 in only the last ten years. India now has a fertility rate that is lower than America's in the 1950s. In 30 years, the rate in Tunisia has dropped from 7.2 to 2.9. Mexico's rate has plunged as well, and is now "80 percent of the way toward replacement level."

In Europe, the decline is precipitous, too. Birth rates reached record-breaking lows in the 1980s and have fallen another 20 percent in this decade to an astonishing 1.4—matching those of Japan and Russia. Even if European fertility rates rise back to 2.1, the continent will likely lose 24 percent of its population by the middle of the 21st century.

Italy's birth rate of 1.2 is the lowest in Europe and the rest of the world. Wattenberg says that is the lowest national rate ever recorded in the absence of famines, plagues, wars, or economic catastrophes. What makes Italy's low rate all the more remarkable is that it is happening in one of the world's most Catholic countries.

In the United States as well, the population explosion is a bust. The U.S. birth rate has been below replacement for 25 straight years. Longer life expectancies have masked the decline, but current trends will, if they persist, produce an actual decline in the total number of Americans within two or three generations.

## Free Versus Unfree

Overpopulation, in essence, is an imbalance between the number of people and the supply of food and living space. Even a cursory view of the world's nations reveals that free countries don't have overpopulation problems and that unfree, or socialist, countries do. Socialism squanders resources at the same time it crushes the incentives for people to produce their way out of poverty.

The fact that free countries are producing declining birth rates is explained by what the experts call the "theory of demographic transition": if there is a general improvement in economic conditions, a decline in mortality, and better education (all invariably the result of a free economy), then there will be a transition toward a declining birth rate. As technology and freer markets the world over produce ever-higher standards of living and a fall in infant mortality, couples neither need nor desire a large number of children.

Where couples commonly had six or more children a few hundred years ago, with perhaps two or three surviving beyond the age of five, most couples today have one or two children with a reasonable assurance that none will die at an early age. This fact, plus more reliable and widespread methods of birth control and birth-control education, largely explains the population bust.

A decline in population produces problems of its own, but overcrowding is not one of them. The Chicken Littles like Paul Ehrlich, can go home and leave the rest of us in peace to work out the problems they never foresaw. And the Packard family, assured that people won't someday overwhelm the Earth, can spend their father's fortune promoting freedom instead of condoms. □

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# Educational Decarceration

by Daniel Hager

When I was a teacher I reached a conclusion that put me at odds with the mystique that surrounds government schooling: the most beneficial times during the school year for many of my students were snow days.

These kids were sixth-graders. They had already spent more than half their impressionable young lives being regimented by the state through compulsory schooling. In many cases the experience had been bad from the beginning. School had become for them a series of negatives building on negatives. By sixth grade this reinforcement had turned them into academic cripples and colored their entire outlook on life.

A snow day was good because at least it did no additional harm.

What these students needed was to be able to drop out of school for a while, to do something good or useful, such as suitable compensable work. Unfortunately, the state's narrowly circumscribed concept of child welfare forced them to remain in school. One lad who, despite normal intelligence, was a basket case when faced with schoolwork was already adept at driving a tractor on his parents' small farm. But he would be compelled to continue his antiproductive routine for another four or five years until he could be legally released from schooling.

The problem with state-mandated "public education" is that it is based on the prison concept. By virtue of being born as creatures of the state, youths are forced into a condition of incarceration, with a mandatory sentence imposed on them at the age of five years that is not fully served until they are 16.

## The Challenge

Change is pending, however. One factor that will break up the present system is technology. But attitudes must also change, and beliefs calcified by unquestioned assumptions will continue to provide support for the status quo. Therein lies the challenge to those who maintain that tax-supported schooling should be abolished.

Proponents of the system argue that students are not its only beneficiaries. The entire society benefits, they say, by receiving needed infusions of "educated" young people. The theory conflicts with the reality. America's government schools are plagued by mediocrity and are turning out vast numbers of intellectually ill-prepared young people, many of them subliterate.

Students are urged to stay the course beyond the end of their sentence on the grounds that they need to "get an education" and graduate from high school. Formal schooling becomes a mystical rite that accords higher status to an ignorant person with a diploma than to a more knowledgeable person without one. This irrationality is fostered by the fallacious interchanging of the terms "education" and "schooling." The for-

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mer is a nebulously definable process of mental enhancement that need not terminate at any time of life, even in old age. Schooling is a particularized transaction intended to contribute to the educative process.

As in other transactions, the consumers of education, or their representatives, should be the payers. That relationship worked well in early America. Parents controlled schools by directly purchasing the services of teachers. Teachers were responsive to their customers. Children used Noah Webster's "Blue-Backed Speller" to learn to read and simultaneously absorbed moral lessons drawn from Aesop and the Bible. French traveler Alexis de Tocqueville noted that American pioneers living in privation in isolated wilderness clearings were not only literate but literary. Typically in a log house "on a solitary shelf of badly squared boards . . . you find a Bible whose cover and edges are already worn by the piety of two generations, a book of prayers, and sometimes a song of Milton or a tragedy of Shakespeare."[1]

## The Anti-Family School

Pious parents were anathema to those seeking to create a society without the influences of the then-preponderant religion. State-run schooling was to be the means and the earliest Prussian systems the models, for they were successful in turning out young people malleable to those who dominated the state. Frances Wright, a member of the cadre that established the 1828 collectivist experiment at New Harmony, Indiana, and later the anti-Christian Working-Men's Party, proposed schooling "Free for All at the Expense of All, Conducted under the Guardianship of the State," with parents forced out of the equation.[2]

In 1837 Massachusetts became the first state to adopt a statewide regulatory educational board, developed under the leadership of Horace Mann. He was a Unitarian moralist whose vision of the good society was an application of New England rectitude stripped of Trinitarianism, both the traditional Protestant variety and the threatening Catholicism of increasingly numerous immigrants arriving with alien culture systems. Mann's philosophy was a steppingstone toward Frances Wright's ideal of a religion-less society. That ideal was further promoted by turn-of-the-century educational theorists led by John Dewey, whose goal was to transform public schools into indoctrination camps to prepare a tractable socialized citizenry to adapt to an ostensibly egalitarian state run by an intellectual elite.

Their disciples later reintroduced the previously discredited look-say method of reading instruction, which forces students to memorize instead of teaching them the analytical skills to decipher unfamiliar words. The latter method, phonics, can produce a 100-percent literacy rate, as attested by H.O.P.E. Academy, a private school in Lansing, Michigan, which serves mostly minority low-income and middle-income families and offers a money-back guarantee if students do not become proficient readers. (See my article, "Competition in Education: The Case of Reading," in *The Freeman,* April 1997.) By contrast, the memorization approach yields high rates of failure and concomitant frustration and belligerence in youngsters in their formative years. Michael Brunner's *Retarding America: The Imprisonment of Potential* (1993) documents the strong links between subliteracy and violent crime.

Look-say (or "whole language" or "whole-word instruction," as it is now termed) serves the purposes of state schooling well. Students who are discharged without serious socialization problems tend to blend into society compliantly as intended, but the antisocial disrupters the system creates move on to exacerbate social decay and disorder, conditions that those who hold the reins of the state can seize on to further strengthen state power.

## Cracks Developing

However, socialistic enterprises shielded from marketplace feedback eventually collapse, and government schooling is no exception. The accelerating trend to homeschooling is a sign of a major crack in its stability. Modems stand poised to deliver the *coup de grâce.*

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The telecommunications revolution that is decentralizing myriad public and private institutions will have the same effect on education. Lewis Perelman, in *School's Out: Hyperlearning, the New Technology, and the End of Education* (1992), notes that the traditional "box of a classroom" is already obsolete, even though school districts around the nation continue to build monuments based on this outmoded model. In an extraordinarily wasteful exercise, they are also clamoring to install redundant computer technology to access remote learning resources that can be accessed by computers in students' homes.

Distance-learning technology, including the developing arena of interactive communication, should lead to an explosive growth of homeschooling. Other organizational settings for learning will likely evolve, such as clustered multi-home schooling and neighborhood storefront schooling. Entrepreneurs will flood the marketplace with low-cost learning systems to tap the burgeoning demand. The poor, who are largely pillaged of future success by the present system, stand to benefit enormously. A recent commercial depicts an apparently poor lad who opens the universe to himself through his television connected to a network computer—priced at less than a conventional TV.

As the momentum builds for dismantling government schooling, the cry will be raised that "education" cannot be accomplished without professionally certified teachers. However, effectiveness in teaching is largely the application of common sense. (One of the co-owners of H.O.P.E. Academy, an expert in common-sense pedagogy, is a nurse by profession.) Parenting is itself essentially teaching, and the superior performance of homeschooled youngsters confirms the ability of parents to substitute for state-certified teachers. As Rita Kramer revealed in *Ed School Follies: The Miseducation of America's Teachers* (1991), what passes for professional teacher training today has little to do with pedagogy and consists mainly of indoctrination into ideology. In higher education, some exceptional teachers never took courses on how to teach.

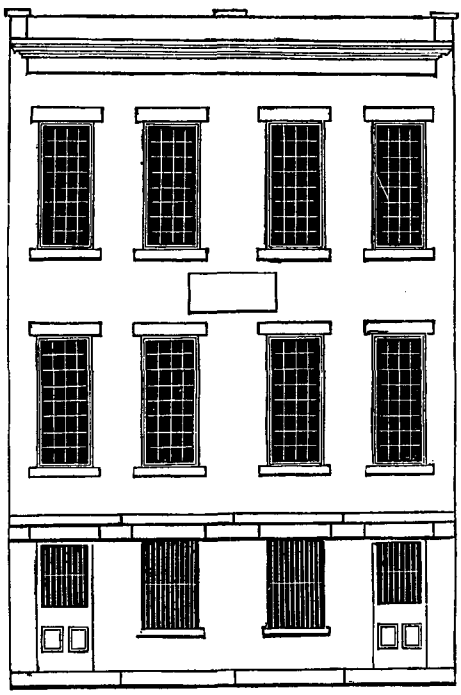
The primary obstacles to schooling's decentralized, parent-controlled future are the present educational establishment, those who profit ideologically from its continuation, and the entrenched public preconception that kids are supposed to go to conventional schools and that property taxes to support such schools are simply an unavoidable part of life.

Arguments for the abolition of school taxes should spark favorable responses from the many who now have to pay them and receive nothing in return. In addition, parents will benefit from liberation from school taxes by keeping their own money just as entrepreneurs are forcing down the costs of learning.

As technology proliferates, it will drive increasingly deep wedges into the structure of tax-funded schooling and open the system's rationale to widespread critical examination. From that process families can hope to wrest control of their children from the state, and children can hope to be sprung from their prisons. □

1. George Wilson Pierson, *Tocqueville and Beaumont in America* (New York: Oxford University Press, 1938), p. 243.

2. Samuel Morison, Henry Steele Commager, and William Leuchtenburg, *A Concise History of the American Republic*, 2nd ed. (New York: Oxford University Press, 1983), p. 220.



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THE FREEMAN
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# The Origins of the Public School

by Robert P. Murphy

Hardly anyone disputes the contention that the modern public school is seriously flawed. Test scores continue to be poor while metal detectors are found in the more violent schools. Welfare-state liberals argue that schools in poor areas need more money to place them on an equal footing with their richer counterparts. Conservatives usually reply that the solution is a voucher system that would break the government monopoly on education by restoring choice and control to parents. But virtually all participants on both sides of the debate concede the nobility of the original reformers; in their view, the "good intentions" of such school champions as Horace Mann and John Dewey led to "unintended consequences."

Such admiration is misplaced. As historian Michael Katz writes, "The crusade for educational reform led by Horace Mann . . . was not the simple, unambiguous good it had long been taken to be; the central aim of the movement was to establish more efficient mechanisms of social control, and its chief legacy was the principle that 'education was something the better part of the community did to the others to make them orderly, moral, and tractable.'"[1]

## Private Education Displaced

Before the 1830s, education was largely an "informal, local affair," in which Catholic, Protestant, and other schools competed for pupils.[2] Often local governments would provide modest aid to schools, albeit in an unsystematic manner. But there certainly was no conception of a "public" school, neither in the United States nor anywhere else in the Western world. The distinction between private and public schools was not crystallized until the "school wars" of the 1840s, which officially ended the use of public funds to support Catholic schools.[3]

What were the causes of that shift from private to public education? It is impossible to review the period in question and fail to conclude that the drive for public education was largely a response to the huge influx of poor, non-Protestant immigrants. Between 1821 and 1850 just under 2.5 million Europeans emigrated to the United States, over one million of whom were Irish Catholics. Nativist and "Know-Nothing" backlashes occurred, which included the burning of Catholic buildings and other forms of bigotry.[4] Many viewed Catholics as owing their loyalty to the Pope. One editor wrote that "a Romanist minority, trained by nuns and priests . . . furnishes the majority of our criminals."[5]

The increase in Catholics naturally led to construction of more Catholic schools. Many Protestants felt that they had to take action to check the rising prevalence of a false creed. Doubtless many would have supported government establishment of the Protestant

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church. Mann himself lamented that "there had never yet been a Christian government on earth."[6] The general respect for religious tolerance, however, made such a bold move politically impossible. Instead, control of religion was cleverly instituted through the public school. "The public school, an important socializing institution, became the substitute for the American national church," Susan Rose writes.[7]

The "nondenominational" religious education eloquently described by Horace Mann was a farce—the schools employed Protestant hymns, prayers, and the King James Bible. It was in response to such non-neutrality that the Catholic parochial system was established in 1874.[8]

As with all who rely on government, Protestants would eventually rue the unholy alliance of state and school that their predecessors had established. As America became increasingly secularized, so went the public school. Like the Catholics before them, Protestants felt compelled to establish their own private schools to protect their children from the humanist and agnostic education they would now receive at the hands of the state.[9] Their forefathers had failed to see the danger common to all "democratic" coercion: one day the comfortable majority may find itself in the oppressed minority.

## Schools as Protectionism

While the particular reasons for school consolidation were thus religious at heart, the extension of government influence in the education industry can also be analyzed as an attempt by inefficient "firms" to hinder competitors, a feature common to all expansions of state power. (Indeed, in Oregon, private schooling was literally forbidden until the Supreme Court in 1927 declared the prohibition unconstitutional.[10]) The primary supporters of Mann's drive to standardize curricula and centralize the disbursement of public funds were precisely those who would benefit financially from such policies. They included the trade unions, whose members benefited from the removal of children from the labor market, and the upper middle class, whose children were more likely to attend the "free" public schools than were children from poorer families (who often had to work). Thus poor families and childless citizens subsidized those with enrolled children.[11]

The Protestant schools were losing "market share," and turned to government to pad their budgets and restrict the actions of their chief competitors, the Catholic schools. In other arenas, people can quickly see through such self-interested "altruism." When a corporation clamors for an import restriction on foreign competition, most observers agree that it is acting to increase its own profits, not to protect the public from "dumping." Why then do most people accept at face value the humanitarian justifications offered by the advocates of state education when such a bureaucracy confers immense wealth and power in the hands of an elite?

Once education is viewed as an industry, the consequences of restricted competition are all too predictable. Sever the link between payment and service, and the quality of the product—education—declines. Because the schools are "free," parents are not as interested in assuring their child's attendance. Public schools are guaranteed the revenues associated with each pupil in their geographical districts; there is no need for them to strive for excellence. If parents are dissatisfied, what can they do? The rise in taxation and lack of "free" private schools renders any alternative to the state system unattractive.

Although such an analysis of the financial "winners" of the change to a bureaucratic education system is invaluable for the explanation of specific policies, such materialist interpretations are not helpful in determining the reasons for the broad popular support of the "common-school" movement. Clearly, a large number of Americans were convinced that a centralized, standardized school system would be beneficial, and not merely in narrow, pecuniary terms. Earlier it was shown that Protestants viewed the public school as a vehicle for inculcating the true faith in the next generation. This view can be expanded. Not only were the public schools to create Protestants; they were also to instill docile obedience to the state and industry.

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## Was It a Conspiracy?

To those who dismiss such claims as a "conspiracy theory," I ask: how can the public school *not* inculcate obedience to the state? A conscious choice must be made regarding the content of education. Neutrality is not an option. Given this, why would a ruling elite not transmit those same values that it itself possesses? Do the conspiracy-theory doubters truly believe that a teacher extolling the values of violent revolution would long remain on the state's payroll? Or a teacher who questioned the legitimacy of the democratic system? Or a teacher who cast aspersions on the public-school system itself? Do the doubters deny that children educated in Texas are exposed to teachers and textbooks that blame the War Between the States on the North, while children in New York are taught that Lincoln was a great president? Weren't every single one of these doubters forced to chant, every single school day of their childhoods, the words "I pledge allegiance, to the flag, of the United States of America. . . ."?

The common-school movement paralleled the industrialization of American cities. As such, the public schools were seized on as a tool for the transformation of children into complacent workers. Katz writes that "The values to be instilled by the schools were precisely those required for the conduct of a complex urban society. . . . The connection was unmistakable; schools were training grounds for commerce. . . . The common school made company men."[12]

Thus the public schools did not simply transmit, say, the values of honesty and peace among men; they specifically inculcated those traits necessary for city life and passed over in silence those values held by rural and ethnic Americans. This is not to suggest that such a decision was detrimental to the students, but merely to again emphasize that it is impossible to establish a school that is neutral—the views of one faction will be taught to the exclusion of those views held by the politically weak. Whoever controls the schools will control the next generation. If such a power is nearly monopolized by the government, then the politically powerful will be the ones making such decisions. In this case, that group happened to be the leaders of industry. But it certainly was not—and never will be—the majority of voters who wield such power.

Thus far readers may not be horrified by the behavior and comments of the early reformers. The Protestants sincerely believed they were saving their children from the devil. And who can complain that the schools aided the Industrial Revolution? But when one delves into those justifications of public education that fall outside the merely religious or industrial, its tyrannical and elitist nature is seen clearly. Fundamentally, the purpose of state education was to take children from parents judged incompetent and prevent those children from becoming dangerous, antisocial elements. The politically powerful arrogated to themselves the right to determine which parents were unfit to rear their own children.

Thus Henry Brown, second only to Horace Mann in championing state education, commented, "No one at all familiar with the deficient household arrangements and deranged machinery of domestic life, of the extreme poor, and ignorant, to say nothing of the intemperate—of the examples of rude manners, impure and profane language, and all the vicious habits of low bred idleness—can doubt, that it is better for children to be removed as early and as long as possible from such scenes and examples."[13]

Such an attitude inevitably led to the consideration of children as wards, nay, as *property*, of the state. Mann wrote, "Our common schools . . . reach, with more or less directness and intensity, all the children belonging to the State,—children who are soon to be the State."[14]

This diminution of individualism made possible ever greater encroachment of government in all spheres of life. And, as is the case with all accretions of state power, each increment in government authority itself justified the next increase. This served to further affirm the need for government-controlled education. After all, when the voting citizenry has the ability—via the newly acquired power of the federal government—to wreak great havoc, it becomes tremendously important to

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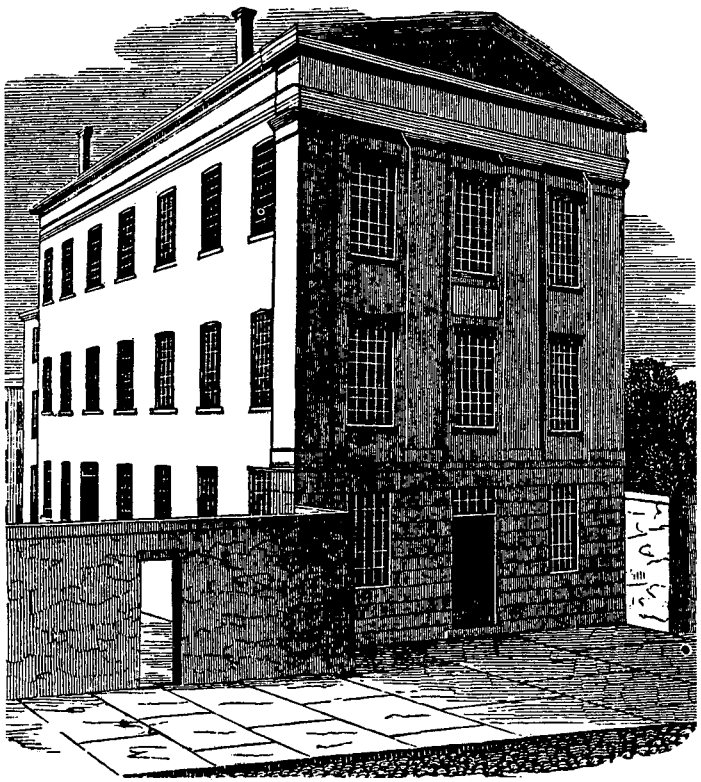
regulate their ideas. Thus Mann's famous dictum is cast into a new and ominous light: "In a republic, ignorance is a crime." With the establishment of compulsory attendance laws in the 1850s, Mann's statement was no longer metaphorical.

Most people—who were themselves educated either in the public schools or who used state-approved textbooks and state-licensed teachers—were taught that the founders of the American public-school system were simply devoted to ensuring opportunity to all Americans, rich or poor. But we have seen that the main thrust of the system was to assimilate those elements of the population, such as the Catholics, poor, and foreigners, who did not fit the mold of what a "proper" American should be. School was transformed from a voluntary setting of learning into a coerced detention center, with its wards being fed consciously selected information in an attempt to produce acquiescence in the status quo. America's current education crisis will only be solved when, ironically enough, the words of Horace Mann are followed: "[T]he education of the whole people, in a republican government, can never be attained without the consent of the whole people. Compulsion, even though it were a desirable, is not an available instrument. Enlightenment, not coercion, is our resource."[15] □

1. Michael B. Katz, *Class, Bureaucracy, and Schools* (New York: Praeger Publishers, 1971), pp. ix–x.
2. Anthony S. Bryk, *Catholic Schools and the Common Good* (Cambridge, Mass.: Harvard University Press, 1993), p. 18.
3. Ibid., p. 23.
4. Mary A. Grant and Thomas C. Hunt, *Catholic School Education in the United States* (New York: Garland Publishing, Inc., 1992), p. 43.
5. Bryk, p. 28. Although the text is unclear, it is likely that this quote was actually penned in the late 1800s, following another wave of Irish immigration. It has been included, however, for it accurately reflects earlier Nativist opinions.
6. Louis Filler, *Horace Mann on the Crisis in Education* (Yellow Springs, Ohio: Antioch Press, 1965), p. 242.
7. Susan D. Rose, *Keeping Them Out of the Hands of Satan* (New York: Routledge, Champion, and Hall, Inc., 1988), p. 29.
8. Ibid., p. 29.
9. Ibid., p. 39.
10. See Bryk, p. 28.
11. See David B. Tyack, *The One Best System* (Cambridge, Mass.: Harvard University Press, 1974), p. 71, and Katz, p. 43.
12. Katz, pp. 32–33. Also see Tyack, p. 73.
13. Katz, p. 31.
14. See Filler, p. 86.
15. Ibid., p. 41.



*Public School No. 17, New York City, c. 1848*

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THE FREEMAN
Ideas On Liberty

# Guess Who Paved the Road to Socialized Medicine

by Sue A. Blevins

Nearly one year ago, Congress passed and President Clinton signed into law the largest expansion of government health care since 1965, when Medicaid and Medicare were created. This new federally funded program, titled "State Children's Health Insurance Program" (SCHIP), gives states the authority to enlarge government health-insurance programs for children, including medical services in public schools. Congress estimates SCHIP will cost taxpayers $48 billion over ten years.

How ironic. When the Democrats controlled Congress in 1993, the Clinton administration was unable to pass its national plan for socialized medicine. Yet with Republicans in charge of Congress, the administration was able to implement its backup plan. According to the Association of American Physicians and Surgeons (AAPS), previously secret documents from Hillary Rodham Clinton's Health Care Task Force show that a "kids first" strategy which could be implemented through Medicaid was the backup option in case the larger plan failed. The AAPS is the doctor's group that successfully sued the task force to make it release all its documents. The government was ordered to pay more than $285,000 to AAPS because of the White House and Justice Department's cover-up of task-force information.

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When you ask Republicans why they helped create a new government health-care program for children, they will say that it's what the American people wanted. But that is not exactly honest. Republicans are quite aware that Americans don't want socialized medicine—or any new entitlement program for that matter. Even public-opinion polls confirm that. In fact, a recent Harvard University survey found that while most Americans think that children have a right to health care, the majority believes that families are responsible for securing that right—not government. Only 20.6 percent of those polled would consider giving that responsibility to the federal government. (Respondents were asked, "Who, if anyone, do you think should be most responsible for paying to make sure that children get this right [to health care]?" Results were: parents, 52.4 percent; federal government, 20.6; state government, 9.1; employers, 7.5; local government, 2.7; charities, 0.3; and other answers, 7.4 percent.)

## Really, Why Did They Do It?

So why did the Republicans help create the largest federally funded health-entitlement program since 1965? It seems the Republicans merely caved into the Democrats' savvy political strategy, which went something like this: Let's propose a new government program for children and fund it with cigarette taxes. Then, if Republicans oppose "KidCare" we'll charge that they don't care about children and



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that the only reason they oppose it is because the Republicans get large sums of money from the tobacco industry. This was a brilliant political strategy. Yet the consequences of SCHIP will affect many, if not all, Americans.

One of the greatest dangers of SCHIP is that it will reduce the number of privately insured children. That is because SCHIP creates incentives for families and employers to drop private health insurance and instead take government subsidies for health care. The Congressional Budget Office expects that half of the participants in the new program will be families that give up private insurance. "That's what happened when Medicaid opened in 1987 to pregnant women and their children with incomes 250% of the poverty level," Robert Goldberg of George Washington University writes. "Between 1988 and 1995, the percentage of children covered by private insurance fell to 64% from 72%. At the same time, the percentage of children covered by Medicaid climbed to 23.1% from 15.5%. Studies show that at least three-fourths of the shift was the result of parents dropping private coverage for themselves and their children. This new program will have the same effect."

Another concern is that SCHIP could eventually become mandatory for all children, regardless of family income or need. That is what happened to the elderly. Consider that initially Medicare was established to help only poor elderly people, while the better-off were told they could keep their private health insurance. However, after Medicare was passed in 1965, the federal government garnered enough muscle to force private insurers to drop the nonpoor elderly, leaving them no alternative but to join Medicare. Moreover, the federal government has made it mandatory to enroll in Medicare Part A (which pays for hospital care) if you receive Social Security benefits. Given government's track record, it is quite likely it could force children to participate in SCHIP. It is only a matter of time before we start seeing state laws that say, "Your child must join SCHIP or he can't attend public school."

SCHIP is also likely to lead to higher health-care costs. Again, one need only look to Medicare to see how that would happen. Medicare was created with the purported goal to help reduce the elderly's out-of-pocket health-care expenses. However, their medical costs have increased dramatically since 1965. Medicare grew much faster than ever anticipated, and consequently, the elderly are now forced to pay higher deductibles and copayments. In terms of absolute dollars, their out-of-pocket expenses were reduced by only $9 during Medicare's first five years, from $234 to $225 per capita between 1966 and 1971. Since then, Medicare out-of-pocket costs (copayment and deductible amounts) have grown to $757 per beneficiary in 1995—about $26 billion total. Additionally, seniors pay millions out of pocket for non-covered services, such as prescription drugs. Clearly, Medicare did not meet its stated goal. It is unlikely that SCHIP can do so either.

## A Dangerous Alliance

The greatest danger of SCHIP lies in its expansion of government health care in public schools. More than 30 states across the country are already in some stage of implementing KidCare in their public schools. Currently, public schools can provide health services under a Medicaid program titled "Early, Periodic, Screening, Diagnosis and Treatment" (EPSDT): Medicaid pays for any service to treat or prevent medical problems, including family planning, unclothed physical examinations, immunizations, and psychological counseling. Among the providers covered are physicians, nurses, psychologists, social workers, and physical therapists. Since 1967, Medicaid has required states to offer EPSDT programs to all Medicaid-eligible children up to age 21. Then in 1989 Congress mandated that states increase the proportion of eligible children receiving those services from 30 percent to 80 percent by 1995. To reach more children, the states turned to the public schools.

There is no doubt that increased EPSDT services will mean a loss of parental control. Some school districts provide screening services to all children, whether or not they are eligible for Medicaid. A report by the Center for the Study of Social Policy on how to cre-

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ate school-based Medicaid programs explicitly states that "School districts should not consider the EPSDT/Medicaid program if their philosophy is that it is the sole responsibility of parents to attend to the health care needs of children."

Clearly, the program implies greater government control over children, coupled with the view of parents as potential child abusers. A case in point is a recent incident in Pennsylvania where a public-school physician gave genital exams to 59 sixth-grade girls without parental consent and over the strong objection of some of the girls. The physician claimed she was looking for sexually transmitted diseases and for signs of sexual abuse. The new children's health-care program increases the likelihood that public schools will examine or treat children without parental consent.

Parents should also be concerned about the lack of privacy at school-based health centers. Once a program is established, children are subjected to intrusive psychological testing without parental consent. Schools can then share psychological information and records with private foundations and state agencies. With so many behavioral problems labeled as psychological disorders, one can only imagine the labels applied to some students. Also, the school-based Medicaid programs create perverse economic incentives: the more children diagnosed with psychological disorders, the more money schools can obtain from Medicaid.

But the trouble with psychological examinations does not end with the child's school days. The results, as subjective as they may be, are entered on the students' permanent school records, which then can affect their career opportunities.

SCHIP will help expand school-based health centers. Consequently, we will see more psychological testing and group counseling in public schools across the country.

The Republicans won control of Congress by promising to reduce government. But once in charge, they got scolded for their attempts to cut the growth in Medicare spending. One would think they would have learned a good lesson from that experience: it is almost impossible to roll back entitlement programs once they're created, especially health-care entitlements. Yet instead of learning that lesson, Republicans helped create the largest health-care entitlement in 30 years. Thus, it is fair to say that the Republican-led Congress paved the road to socialized medicine. □


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THE FREEMAN
Ideas On Liberty

# Let's Not Throw American Medicine into Boston Harbor

by Jane M. Orient

The ongoing battle over "health-care reform" may be portrayed as a war between the American Medical Association and the Good Guys. The AMA is supposed to stand for Corporate Greed, and the Ad Hoc Committee to Defend Health Care, headquartered at Harvard University, is supposed to be on the side of Social Justice and everything good. The latter group (called "Doctors Against Profits" in the *Wall Street Journal*) recently dumped boxes of annual reports from investor-owned hospitals and health plans into Boston Harbor.

In reality, the issue is Managed Care versus Single Payer, even though neither group openly acknowledges its ultimate political goal.

While the two groups appear to be at odds, it is interesting that the AMA gives the Ad Hoc Committee a lot of column inches in its publications. The truth is that the two have much in common—and they both have the wrong answer to the problems with American medicine. So do Congress and the Clinton administration, which are likely to pass still more bad laws that will push us further down the yellow-brick road to the Single Payer Wizard (despite their advertised intentions, as in the Patient Access to Responsible Care Act, sponsored by Representative Charles Norwood of Georgia).

To get it right, we have to change the focus from doctors' incomes (and the politics of envy and class warfare) to patients' well-being, both medical and economic. Yes, profits are involved in medicine—as in every human activity. But remember that government and managed-care bureaucracies (which are more similar than different) are both focused on the bottom line: *their* budgets and *their* concept of the collective good. The AMA is ineffective at fighting them because its bureaucracy has the same problem and is in bed with the others.

Medicine is supposed to serve patients. If patients are served well and at an affordable cost, then doctors should be well rewarded (and rewards are not all financial). If doctors are rewarded for reasons that are largely unrelated to good service to patients, as opposed to corporate or government masters, then patients will surely suffer.

Patients have succumbed to one terrific sales job by insurers and the government, which were aided and abetted by physicians out for easy money from third parties. They all want patients to believe that happiness is a rich insurance plan that covers everything.

Such "insurance," with first-dollar coverage or minimal out-of-pocket expense, is really prepayment for consumption and is definitely not a good deal. As one consumer, who happens to be a doctor, said, "I have sent about

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$75,000 to Blue Cross in the past ten years and have absolutely nothing to show for it." Had he had a serious illness, he might still have had nothing to show for it. These days the covered services are "covered" by a gatekeeper and layers of committees.

If this sounds like a pitch for medical savings accounts, it is and it isn't. MSAs are a kind of gimmick, a partial answer to the basic problem, which is the abuse of the concept of insurance—in large part due to tax discrimination against true medical insurance and in favor of prepayment for consumption.

## Faulty Insurance

Both the type of insurance and the payment mechanism are at fault. By "payment mechanism" I mean the "assignment of benefits," or payment, to the "provider" rather than to the supposed beneficiary. This is an invitation to fraud and abuse. (Nonetheless, Medicare does everything to encourage it.) Moreover, it tends to disguise the wastefulness and absurdity of processing huge numbers of claims for trivial sums of money.

Bureaucracies with a lust for power, insurers with a lust for profit (they get paid for all that ridiculous paperwork), doctors with extravagant tastes (who know they get more from the third party than they could ever get directly from patients), and patients with a distaste for personal responsibility—they all have a vested interest in the status quo. Moreover, everyone fears, and with good reason, that the first one to get off this merry-go-round will take a financial beating.

Probably the only way out is to stop the merry-go-round, all at once, for everybody. No more tax preferences for employer-provided "health benefits": pay the workers with real money, not HMO money, and give an across-the-board tax cut from which *all* profit (not just those with employer-provided "health benefits"). No more "assignment of benefits": pay all claims directly to the beneficiary, with a dual-payee check if that is considered necessary. And no more government mandates that prevent insurance companies from offering low-cost benefits suited to what patients want rather than what special-interest lobbies demand.

If this is done, there will be winners: insurance companies that offer no-nonsense, patient-tailored coverage at a reasonable cost; employers who can offer workers the equivalent of a raise without sacrificing competitiveness; workers who can have more money under their own control (rather than that of an insurance bureaucrat); patients who can buy the medical care they want instead of insurance that they don't want; and doctors who are best at satisfying their patients.

There will also be losers: Those who profit from managing or gaming the present system—whether they are managed-care or insurance executives, government bounty hunters, bureaucrats, overpriced doctors and hospitals, insurance salesmen, and even patients who are constantly demanding more medical care (often of dubious value) as long as it is at someone else's expense. Some of these folks can better themselves by finding useful, soul-satisfying work. And the congenital thieves can go back to robbing banks.

Such a system would be correctly called a free market. The transactions that occur there would be peaceful and voluntary.

The system that we have now may be called a market, but it is truly anything but. It is best described as a system of legal plunder, marked by class warfare and increasingly draconian coercion.

The way out is to take back our freedom, not to turn back the clock to old methods rightly called fascism, serfdom, or mercantilism, even if dressed up in new names like managed competition or single payer, and even if advocates stage a perverted version of a stunt (the Boston Tea Party) once pulled by real Sons of Liberty.

Remember, that historic event was about throwing out British mercantilism. How ironic that the actors in the recent parody would destroy American free enterprise and import British or Canadian socialism. □

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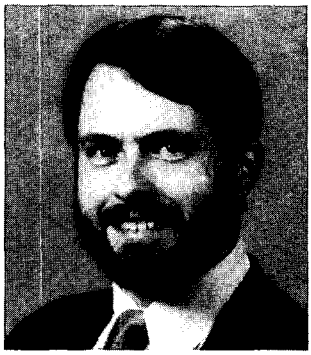

# America's Permanent Criminal Class

Dan Rostenkowski is on the comeback trail. Although convicted of and jailed for misusing his office, the former Democratic chairman of the House Ways and Means Committee has become a senior statesman of sorts, dispensing political advice to businesses and his former colleagues. Obviously neither crime nor punishment is an impediment to success in Washington.

Still, the number of convicted criminals in Congress seems remarkably low. After all, events in Washington appear to offer definitive proof that politicians are congenital criminals. How else to explain the lying, cheating, and stealing that permeate the legislative process? How else to explain the unending looting of the body politic justified in terms of the public interest? Indeed, the alternative hypothesis, that they really are that stupid, is almost too horrifying to contemplate. Obviously, the American judicial system is failing to do its job.

Some members of the Washington, D.C., police force inadvertently made this point two years ago when they blocked off streets around the Capitol in anticipation of the President's State of the Union speech. Instead of using the standard markers, "Police Line—Do Not Cross," they put up yellow tape emblazoned "Crime Scene." Unfortunately, the cops failed to arrest any of the miscreants.

Since most of what America's unindicted and unconvicted legislators do is criminal, perhaps voters should be more forgiving of those who get caught. That seems to be the practice in other nations.

In India, for instance, criminals frequently run for office. Of course, they don't always win. Dharam Pal Yadav was defeated for reelection in the recent election. He had been charged with 25 crimes, including six murders. An aide explained: "It all depends on what you call crime. If it's a political crime, it's not really a crime." Dan Rostenkowski could not have put it better.

Taiwan has created a positive incentive for criminals to enter politics. Officials usually aren't prosecuted for their crimes. The police must get permission from the legislature, provincial or national, to arrest a member. Such permission is rarely granted.

"We have a saying," explains political science professor Yang Tai-shuenn: "If you get elected, you become an official. If you don't get elected, you go to jail." At one point 136 of 175 members of the country's provincial assembly and the two largest city councils had been convicted of various offenses; another five had been indicted. An incredible 312 of 858 county and city officials had been convicted and another 112 were under indictment. Three-fourths of the speakers and deputy speakers of city councils had been indicted.

Many of them were charged with buying votes, a tradition in Taiwan. Others were indicted for allegedly rigging bids and abus-

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ing their office in the sale of state property. Some were charged with more usual crimes. Explains Mr. Yang: "Many people involved in the underground and mafia in Taiwan tend to run for public office to get away from punishment."

And also to improve the efficiency of their criminal operations. Chao Yung-mao of Chinian University says that gaining power is "a way to upgrade their business. They need political [influence] to protect them." Rather like in America, where businessmen typically hire politicians to protect them from their competitors.

Immunity for criminals is not completely unknown in America. To prevent politically inspired arrests, many states along with the federal government exempt legislators from arrest on their way to vote or while the legislature is in session. A decade ago Senator Roger Jepsen of Iowa used such a provision of the U.S. Constitution to avoid a Virginia traffic ticket; alas, his constituents were less forgiving than Taiwanese voters and sent him into early retirement. An aide to Virginia's lieutenant governor later claimed immunity to avoid a drunk driving charge. A Virginia legislator used the same tactic to win dismissal of a charge of indecent exposure.

But it would be better to move in the other direction. Instead of immunizing legislators, we should criminalize more of their actions. The very same state of Virginia has a law, rarely enforced, holding school board members responsible for any overspending. In 1990 the King George County Board of Supervisors threatened to petition the local circuit court to remove members of the local school board for malfeasance after the school board ran a $500,000 deficit in a $13 million budget. Three members, who had been appointed by the supervisors, resigned.

Similarly, in 1996, after the Virginia Beach School Board ran a $12.1 million deficit, local Commonwealth's Attorney Robert Humphrey called a grand jury to investigate the financial mess. It indicted two school board members; seven others resigned rather than face charges. "None of these people deserve to go to jail, but they screwed up," explained Mr. Humphrey. "It happened on their watch."

Such an approach would have wide application at the federal level. When (not if) Congress breaches the spending caps agreed to only last year, the Justice Department should sue legislators for violating the budget provisions. When (not if) Congress creates new spending programs after proclaiming its commitment to smaller, more efficient government, taxpayers should file a class-action lawsuit against the miscreants. When (not if) the loudest proponents of federalism, individual liberty, and similar values violate their promises and expand Washington's power, outraged citizens should force them to resign. But it's not enough to simply toss politicians out of office. Maybe Humphrey is right to believe that incompetent school board members don't deserve to go to jail. But most congressmen do. Forget term limits. Let them serve the full sentence.

If this seems too harsh, then consider an alternative. Instead of prosecuting politicians, send them away with full pay. For many legislators there is no higher priority. Last year Turkish legislators resisted a call for new elections because they wanted to remain in office for at least two years in order to qualify for generous government pensions. It would have been simpler to have paid them off if they promised never to darken Ankara's steps again.

Public service would be an honorable occupation if government performed the limited role of creating a framework for a free society, thereby safeguarding individual liberty. But in today's world, where government is simultaneously an obnoxious meddler and violent thief, becoming a member of the political class almost automatically turns one into a professional criminal.

So let's treat politicians accordingly. Let them choose—between resignation, exile, or jail. Then the rest of us can live in peace. □

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THE FREEMAN
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# Climate-Change Worries in the Eighteenth Century

by Aubrey Drewry

In the 1770s the Lunar Society of Birmingham, England, whose members were some of the leading thinkers of the era, regularly gathered to discuss their concerns about global climate change. They were interested in the scientific aspects of the change, but being entrepreneurs as well as thinkers, they also formulated plans to cope with it. Their basic strategy was to stop the cooling of the earth by dragging icebergs away from the Arctic regions to let them melt in the tropics.

That's right: they were worried about global *cooling*.

The Lunar Society of Birmingham (1766–1809) was an informal club of never more than 14 men, who met to exchange information on scientific experiments, discuss scientific theory, and promote their own entrepreneurial activities. As the name indicates, they met on the Monday nearest the full moon each month. Among them were several godfathers of the Industrial Revolution, men whose contributions to science and technology, as well as industry and manufacturing, render their names still familiar: James Watt, developer of the steam engine, and his business partner, Matthew Boulton, who was also founder of the Birmingham Mint and a major manufacturer of metal products; Erasmus Darwin, grandfather of Charles and a distinguished naturalist in his own right; William Small, science and math teacher to Thomas Jefferson during a sojourn in America; Josiah Wedgwood, potter to the world and the man who made it possible for ordinary people to eat from china plates rather than out of wooden bowls; and Joseph Priestley, one of the titans of chemistry.

The main tie that brought these luminaries together was a common interest in "natural philosophy" (which we today call "science"). However, many of them also had remarkable business skill and towering entrepreneurial energy. They were thus very much concerned with the application of science to industry. Many of them became fellows of the Royal Society as a result of their scientific work, but they were equally proud of their memberships in the Society for the Promotion of the Arts, which emphasized their commitment to practical application.

## Small, Watt, and Boulton

The global-cooling story begins with letters between Small and Watt. (The letters are printed in a midnineteenth-century biography of Watt by his son-in-law, James Muirhead.) In 1765, Small had arrived in Birmingham with a letter of introduction from Benjamin Franklin. Shortly thereafter, he became family physician to Boulton, at that time a successful 37-year-old silversmith who was busily realizing his great ambition: to make his name "known all over the world as the hallmark of excellent and artistic workmanship"

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in metals. Small, a native of Scotland, had already made his mark on America by having taught Jefferson at the College of William and Mary in Virginia. Many years later, Jefferson would recall that "what probably fixed the destinies of my life" was that Small "made me his daily companion" and "from his conversation I got my first views of the expansion of science & of the system of things in which we are placed." High tribute indeed, from a man who would himself greatly affect "the system of things in which we are placed." But by 1764, Small had tired of academic life (especially the bickering with his faculty colleagues in Williamsburg who considered him an outrageous radical for lecturing in English rather than Latin!). Thus he returned to Britain and took up his medical practice in Birmingham.

Some months thereafter, Dr. Small entertained a visiting fellow Scot, James Watt. At that time, Watt was eking out a living as a poorly paid instrument maker for the University of Glasgow, his income supplemented by surveying and minor engineering jobs on canals and at coal mines. Despite all that activity, his income was not enough to cover the expenses of his experiments with steam engines. By 1765 Watt had worked out all the "central ideas to be incorporated in his various steam engines for the remainder of his life." (See Robert Schofield, *The Lunar Society of Birmingham* [Oxford University Press, 1962].) But between the financial needs of his family and "the villainous bad workmanship" of Scottish artisans, he had not been able to produce a successful working engine. In order to keep going, he had sold production and distribution rights to an ironworks and mining tycoon, John Roebuck, who thus had control of Watt's destiny.

During Watt's Birmingham visit, Small took him to visit Boulton's metalworking shops. Watt recognized that Boulton's plant, tools, and especially his workmen were just what was needed to produce steam engines. On a second visit a year later he met Boulton himself, and the two men instantly liked each other. Naturally enough, then, discussion immediately turned to the possibility of establishing a partnership with Boulton and Roebuck, which would allow Watt to move to Birmingham to continue his experiments and testing, and to initiate production of engines. Those negotiations dragged on for eight years and took several strange turns, including the collapse and bankruptcy of Roebuck, who sold all his rights to Boulton. Thus, when Watt finally moved to Birmingham in 1775, it was to create the firm of Boulton & Watt, one of the greatest companies of the early Industrial Revolution.

During the long years of negotiations, Small was a crucial figure. He saw the enormous profit potential of Watt's designs combined with Boulton's high-quality workshops, and he hoped to invest in the new firm himself. He thus took on the task of keeping alive Watt's interest in moving to Birmingham. This was no easy job, because Watt was not a naturally ebullient personality. Indeed, he seems to have been inclined to hypochondria, suffered severely from headaches, and was often despondent over his money problems and other setbacks, including the death of his wife.

## "Global Cooling"

Small's voluminous correspondence helped Watt's morale in several ways. First, Small constantly encouraged Watt to continue development of his steam engine, regardless of what was happening on the financial and organizational side of the negotiations. Second, Small gave moral support to the whole array of engineering odd jobs that Watt was compelled to undertake to stave off bankruptcy. Third and perhaps most important, Small kept up a flow of other stimulating ideas across the entire scientific spectrum, which helped Watt to forget his troubles. The discussion of global cooling was in fact initiated in an exchange of letters reviewing a canal-surveying project that Watt had undertaken (as usual, to raise a little extra income).

Watt had been surveying in the Highlands of Scotland for a canal project near Loch Oich in the Great Glen above Inverness, where the Caledonian Canal was later built. It was an area from which many were emigrating to America. The purpose of the proposed canal

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was to connect the east coast of Scotland (where there were manufacturing shops) with its west coast, thus shortening the shipping time to American markets. Watt wrote to Small, "I had a miserable journey home, through the wildest country I ever saw, and the worst conducted roads . . . [I]ncessant rain kept me for three days as wet as water could make me. I could hardly preserve my journal-book."

Small, on October 27, 1773, replied, "I do not wonder the people migrate from the country you have described to America." Then, in what was apparently his style of raising interesting thoughts out of Watt's gloom, he went on, "Pray, have not all these mountains formerly been forests, and why does not timber now grow upon them, as they are not cultivated?" Contrasting those barren hills of Scotland with the lush environment of his New World sojourn, he continued, "Nothing but *incessant* cultivation can hinder any spot in America, from latitude 50 southwards, from producing trees." Latitude 50 runs through northern Newfoundland and central Quebec. Scotland is at a higher latitude, but Small believed that its highland hills had once supported trees and no longer did so. The hills, he reasoned, must have become barren and treeless due to a southward spread of cold climate.

Small summarized: "I am led by this and many other reasons to suppose, nay to believe, that the frozen space of the Globe is annually increased at the rate of about the 300th part of a degree of latitude . . . so that after a certain number of years all Europe, and finally the whole surface of this earth, will be frozen, as the Moon is now and has long been." Quick-witted and ingenious as he was, Small had a scheme to deal with this horrifying prospect, namely, a "project for producing perpetual summer," which he outlined for Watt. The central feature was to use gunpowder to blow up the polar ice, thus creating icebergs, which could be towed to the tropics. There the icebergs would serve as air-conditioning units, rendering the tropics more temperate and habitable. Simultaneously, of course, the removal of ice from the arctic would slow the southerly spread of the freeze that threatened to cover all Europe and finally the whole earth.

Small's next words give us a glimpse of his views on the political institutions of his day, especially monarchy, and are interesting in light of Jefferson's connection with Small. "I will be bold to say, that if all the gunpowder which has been spent by their Imperial and Royal Majesties the Emperors and Empresses of Constantinople, Germany and Russia, the Kings of France, Spain, Britain and Prussia, within these last twenty years, had been laid out upon it [his iceberg project], the powder would have produced at least as much benefit to every one of them as it has done by being expended on their own schemes. I have had thoughts of writing a circular letter to these potentates, and if you give me any encouragement, notwithstanding my laziness, I will still do it, although there is but little to be made of kingly heads, I fear."

Apparently, Watt did *not* encourage him, since we hear nothing further of the project for producing "perpetual summer" before Small's untimely death. He died in February 1775, a little more than a year after this exchange of letters and a little more than a year before his student Jefferson had some equally scathing things to say about a certain European monarch.

## *The Botanic Garden*

However, the idea survived, as we know from *The Botanic Garden*, a book-length didactic poem in several cantos by Erasmus Darwin, another member of the Lunar Society. Darwin began work on this, his masterpiece, in 1777 and published it in 1789 to enormous popular success. (A 1798 American edition was produced by T. & J. Swords, Printers to the Faculty of Physic of Columbia College, New York.) Darwin started out to summarize the current state of botany, but ended up by having "versified all of science and technology too," in the words of Robert Schofield, a leading authority on the Lunar Society. How a project for moving icebergs makes its way into a poem on botany is indicated by the "advertisement" (or preface) to the London edition. The reader is told that "the physiology of Plants is delivered" in the first canto, called *The Economy of Vegetation*,

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**July 1998**

# What Is the American Constitution?

*This is the essential element of all government: force, used with general consent.*

—ROSE WILDER LANE, *The Discovery of Freedom*

What is the American constitution? The obvious answer is that it's the document written in 1787, amended 27 times since, and the original of which is housed in the National Archives. Judges, politicians, the news media—indeed, all Americans—talk of that 6,000+ word document as being *the* constitution.

This talk is mistaken. The constitution is neither a document nor the collection of words in a document. Instead, the constitution is the dominant ideology within us—an ideology that determines what we permit each other to do, as well as what we permit government to do. No words on parchment, regardless of the pedigree of that parchment or of the men and women who composed those words, will ever override the prevailing belief system of the people who form a polity.

We have at hand ready proof that the constitution is ideology rather than words in a document. Read the document popularly called "the Constitution" and ask if it accurately describes the law of the land. Your answer will almost certainly be no. That document clearly gives to the national government only very limited powers—for example, to coin money, to operate post offices, and to supply national-defense services. Today, however, Washington knows almost no restraints on how deeply its regulatory arms reach into the lives of American citizens. No species of economic regulation is off-limits to the national government. Likewise, Washington routinely and without a whiff of apology exercises governmental powers clearly intended by the framers of the Constitutional document to be reserved to each state.

It's true that *some* provisions in the Constitutional document are respected. If Congress today passed a statute outlawing publication of *Cosmopolitan* magazine, a sufficiently large number of Americans would resist this attempt by government to control what is printed. But the fact that some parts of the Constitutional document have some teeth doesn't mean that the document itself is "the law of the land."

Those instances in which the Constitutional document has teeth (such as the First Amendment's prohibition of government interference with the press) are those instances in which the prevailing ideology of the American people happens to correspond with what's written in the Constitutional document. But in those many instances when the prevailing ideology runs counter to the text of the Constitutional document, the document is toothless.

Again, the American Constitution is nothing more or less than Americans' prevailing ideology. And this ideology—as any ideology—comes from ideas about what is proper and improper, acceptable and unac-

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ceptable, desirable and undesirable, practical and impractical, noble and ignoble.

Most Americans today have the idea that Congress is perfectly justified in delegating its legislative authority to federal agencies. Therefore, despite the complete lack of any language in the Constitutional document authorizing independent agencies, Washington is planted thick with federal agencies exercising legislative powers. No one today suggests that these agencies are unconstitutional.

Most Americans today have the idea that the national government is authorized to dictate the details—from gasoline mileage to the number of airbags per vehicle—of how automobiles are to be manufactured. Despite the Constitutional document very clearly *not* giving authority over such matters to Washington, the national government exercises such authority and almost no one today regards this exercise of authority as unconstitutional.

Most Americans today accept the idea that government should tell people what they can or cannot ingest. Most Americans accept the idea that minimum-wage legislation is desirable. Most Americans accept the idea that protecting property rights is less noble than protecting plant and animal species.

Thousands more such examples can be listed.

In the past, when I got furious at the government for doing things clearly prohibited by the Constitutional document, I would declare "That's unconstitutional!"

I was wrong. Those innumerable government actions that are at odds with the Constitutional document as well as with the principles of a free society are in fact constitutional. These actions are constitutional because the constitution is the *actual* legal framework of our society—and the *actual* legal framework in America today grants to government extraordinarily vast powers for intruding into the lives of peaceful people.

Again, the reason is that most Americans today have the *idea* that it is desirable, or at least not inappropriate, for government to exercise an authority immensely larger than was contemplated by Americans of the founding generation. If, instead, today's Americans had the idea that government's only legitimate function was to keep the peace, there could be no doubt that politicians who attempted to enforce, say, the Americans With Disabilities Act would get nowhere. It's not so much that these politicians would get voted from office; instead, ordinary people would simply refuse to comply with the statute.

If you doubt this, ask what would happen if Congress enacted legislation banning interstate travel by Americans. Can you imagine Americans today respecting such an odious statute? Of course not—despite the fact that the Constitutional document does not explicitly prevent Congress from passing such legislation. To avoid enforcement of this statute we wouldn't have to wait to throw from office the bums who enacted it. Because of the prevailing American ideology, which is hostile to such legislation, this statute would be a nullity from the moment the President signed it.

It follows that ideas matter enormously. Ideas, not words, are the principal ingredient of the American constitution. If ideas change, so does the constitution. And the only way really to change the constitution is to change the ideas accepted by the great swath of citizens.

We at FEE are in the business of constitutional amendment—changing the ideas that people have about freedom, about property, about politics, and about government. If we succeed in restoring the idea that free people are more prosperous, peaceful, and culturally vigorous than those who rely on government, we will have done nothing less than to amend the American constitution in a way that secures liberty. We will also have re-created the Constitution that James Madison and other founding-era Americans intended.

Liberty cannot be secured by asking its foe—the state—for more respect. Liberty cannot be secured at ballot boxes or in courtrooms. Liberty *must* reside in the hearts of people if it is to reign. And the only way that liberty can find its way into the hearts of people is through the promulgation and circulation of the *ideas* of liberty. In these ideas lies liberty's only hope.

Donald J. Boudreaux
*President*

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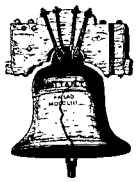

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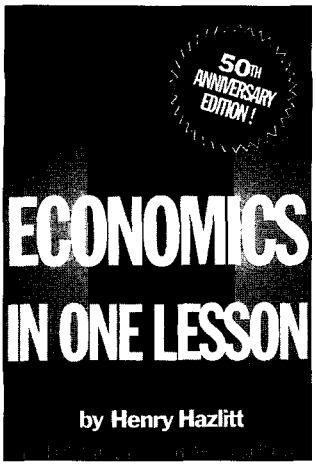


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including "the operation of the Elements as far as they may be supposed to affect the growth of Vegetables." Darwin organized his poetic lines on the various "Elements"—heat, rain, snow, sunshine, as well as ice—under various constellations of stars. When he got to the "Northern constellations" in Section XI of the first canto, he versified about "Ice islands navigated into the Tropic Seas" by legions of nymphs:

> There, *Nymphs!* alight, array your dazzling powers,
> With sudden march alarm the torpid Hours;
> On ice-built isles expand a thousand sails,
> Hinge the strong helms, and catch the frozen gales;
> The winged rocks to feverish climates guide,
> Where fainting Zephyrs pant upon the tide;
>
> While swarthy nations croud the sultry coast,
> Drink the fresh breeze and hail the floating Frost,
> *Nymphs!* veil'd in mist, the melting treasures steer,
> And cool, with arctic snows, the tropic year.

While Darwin assigned the project to Nymphs and Zephyrs in the poem, he shows in his footnotes that the best minds of his era were thinking about both global cooling and practical schemes to forestall it. In a very long "philosophical footnote" to the above passage, Darwin says that visitors to the north provided evidence that the "islands of ice" steadily grow and that the winds passing over them deliver cold temperatures to points south. "[W]e cannot doubt that the northern ice is the principal source of the coldness of our winters . . . ," Darwin wrote. "Hence the increase of the ice in the polar regions, by increasing the cold of our climate, adds, at the same time, to the bulk of the Glaciers of Italy and Switzerland."

Small would no doubt have been delighted to learn that his ideas were still being investigated, and particularly pleased that his project for correcting the problem was garnering worldwide attention through the popularity of Darwin's poem. Darwin even echoed Small's lament about how the resources wasted on war could have been used to cool the tropics and warm the northern reaches.

The great firm of Watt & Boulton became much too busy in the next few years making steam engines to pursue the "iceberg removal" project. The idea of moving icebergs to achieve various human objectives still comes up from time to time: to irrigate the vegetable gardens of California or to provide more drinking water to Los Angeles. But so far as modifying the climate is concerned, our preoccupations have reversed in the past two centuries: from global *cooling* in the late 1700s to global *warming* in the late 1900s. Some scientists tell us that the problem is not that the masses of ice have become too enormous—but that they may well be melting too fast due to the accumulations of greenhouse gas!

Darwin might have been surprised. □

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THE FREEMAN
Ideas On Liberty

# Should There Be a Carbon Subsidy?

by Roy E. Cordato

The Clinton administration has committed the United States to a massive reduction in the use of energy. That is the implication of its signing the United Nation's Global Climate Treaty in Kyoto, Japan. If the Senate approves, we will have to reduce carbon dioxide ($CO_2$) emissions drastically. $CO_2$ is emitted naturally, of course, by everything from erupting volcanoes to exhaling people and animals. Indeed, without it there could be no human or plant life. The alleged problem is that, because of the burning of carbon-based fuels such as coal and oil, "too much" $CO_2$ is being emitted. According to some, this will cause excessive amounts of heat to be trapped in the earth's atmosphere and ultimately (50 to 100 years from now) lead to "global warming." This warming could have certain harmful side effects, including increased flooding and droughts, rising sea levels, and even melting of the polar icecaps.

These predictions, accepted as gospel by the United Nations and the Clinton administration, if not by the scientific community, have led to the signing of the Kyoto agreement. If the U.S. Senate were to ratify this treaty, massive new taxes on the use of coal and oil—"carbon taxes"—would be required. Americans would be forced to reduce their use of these fuels by about 25 percent over the next ten years.

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These new taxes, which, according to some estimates, could more than triple the producer price of coal and double the producer price of oil and gas, are defended on grounds they will allegedly generate "net benefits" for society. Proponents say the future harms that will be avoided will outweigh the problems and dislocations that these higher prices would cause. As the World Resource Institute states in one of its studies, "the justification for a carbon tax is that the benefits are worth the costs." This is a direct application of the economic theory of "externalities," which suggests that when a production process generates harmful effects on society, a tax on that process can enhance social welfare.

In the case of carbon dioxide, there is a complication. The costs-benefit calculus may be turned on its head. According to many scientists, increased levels of $CO_2$ are generating unintended *benefits* for society. Furthermore, these are tangible benefits that are occurring now, as opposed to the costs of global warming, which are highly speculative and not expected to occur, if at all, until well into the next century. As was recently reported in *Science*, the journal of the American Association for the Advancement of Science, "many climate experts caution that it is not at all clear yet that human activities have begun to warm the planet—or how bad greenhouse warming will be."

On the other hand, $CO_2$ generally provides great benefits for the earth and mankind. This we know with certainty. Elizabeth Cullota,



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writing in the May 1995 issue of *Science*, points out that "$CO_2$ is more than a greenhouse gas—it's also an essential nutrient for vegetation, an aerial fertilizer providing the carbon that plants use to make sugars, carbohydrates, and the other compounds they need to live." She concludes that "in the agricultural realm, experimental evidence suggests that higher $CO_2$ concentrations may be a boon, helping many crops grow faster and yield more." According to a Duke University study cited by Cullota, as much as 10 percent of the increased crop yields over the last 100 years have come from higher levels of atmospheric $CO_2$.

## Better Use of Water

A second benefit to agriculture associated with added $CO_2$ is the increased efficiency with which plants use water. As atmospheric $CO_2$ mounts, plants make more productive use of any given level of rainfall. A study published in the November 1997 *Science* points out that "For the individual plant, water-use efficiency is almost directly proportional to the level of $CO_2$. . . . [D]oubling the $CO_2$ concentration is almost like doubling the rainfall as far as plant water availability is concerned. . . ." The study goes on to conclude that "Given that the availability of water for agriculture is already becoming such a problem, this aspect . . . of atmospheric change is a welcome one."

These benefits are in addition to those that are likely to occur in the event that warming actually takes place. Increased temperatures, especially those that occur overnight, will delay the first frost and prolong growing seasons, further expanding crop yields.

Behold the economic implication of all this: increased $CO_2$ caused by the burning of fossil fuels may be generating social benefits—more fruits and vegetables, lower food prices, and reduced world hunger. It is important to note that many of these benefits are occurring here and now. They seem much less speculative than the hypothesized costs associated with global warming. These costs will occur only if predictions of certain computer simulation models are accurate—models that continue to dramatically overstate the actual warming that has taken place over the last 100 years. This raises an interesting question: should the Kyoto Protocol have called for a worldwide *expansion* of the use of carbon-based fuels rather than a reduction?

## Is a Subsidy Justified?

According to the same economic theory that leads many to advocate a carbon tax if increased $CO_2$ generates external harms, a carbon *subsidy* would be required if the external effects of using coal and oil are, on net, beneficial. Thus, should the United States be considering a carbon subsidy rather than a carbon tax? Of course not. But even the conventional approach would have to answer: probably not. When the net effects of external harms and benefits are uncertain, the economic theory of "second best" argues that neither taxes nor subsidies are appropriate. The evidence implies that cautious policymakers seeking a neutral approach should be looking for opportunities to eliminate existing taxes on gasoline and electricity. Furthermore, restrictions on coal mining and oil drilling, which are the equivalent of a tax, should also be eliminated. In other words, a conventional, cautious "second best" approach would end all existing carbon taxes and subsidies. Since advocates of carbon taxes have been quick to invoke the economic theory of external effects to justify the tax, one would hope that intellectual honesty would lead them to consider its full ramifications. □

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# Such a Deal!

Let's keep this among ourselves, but we non-rich folks have a good thing going. Even though we are of modest means, we have a huge staff of servants who perform valuable services for us. The best part is that we don't even have to pay them.

Think back to when the VCR came out almost two decades ago. A typical model was over one thousand dollars. Like most of you, I couldn't afford that. Today they are two hundred dollars or less, within the reach of most Americans—and with better features! What happened?

Our servants did us a huge favor. They spent their own money to buy the new VCRs. Sure, they enjoyed the benefits, but they also suffered the headaches that the bugs in a new product often cause. In the process, they gave the manufacturers a chance not only to work out those bugs but also to get better at making VCRs. Costs dropped, and competition translated that into falling prices. Eventually the price dropped low enough that you and I could afford VCRs. Some of us have more than one.

The same thing happened with many other products. Everyone can afford a television today. A short time ago, that was not the case. Only the richest families got TVs when they first came out. Same with telephones, automobiles, clothes dryers and washers, stereos, dishwashers, calculators, microwave ovens, and personal computers—things we all take for granted now.

We should be grateful to the people who bought those products early on. Had they not, we would not be able to afford them today. They might not be offered at any price. And it isn't only entertainment and convenience products that have undergone that process. Lifesaving devices, such as the latest medical technologies, were also tested by our servants.

The reason I said we should keep this to ourselves is that those people may not know they have done us such a big favor. It may never occur to them that we get a free ride off their consumption. I like this state of affairs and don't wish to rock the boat.

This is ironic, really. They consume and we benefit. Who'd have thought it could work out that way? We don't even have to command them to help us. They do it for themselves. Yet we get things that improve our lives immeasurably and that otherwise would be out of reach.

You might be curious about the identity of these people who serve us so well. I'll tell you only on the condition that you not seek them out and express your gratitude. Remember, we're keeping this quiet.

Our unwitting servants are the rich. Who else had the money to buy a thousand-dollar VCR for home use? They are the same kind of people who bought the first ballpoint pens at over ten bucks a pop, when a dollar was worth something. Today pens, like pencils and matches, are given away as promotions. You can go through life and never have to buy one of these items. What will they be giving away tomorrow?

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*Sheldon Richman is editor of* The Freeman.



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## Spillover Benefits

Fortunately, our racket is safe because the rich don't test products for our sake. They buy new, expensive, flashy things for their own pleasure. The benefits then spill over onto us, regardless of their intention. That's how so many benefits from living in society get passed around. Adam Smith observed that we get our dinner not because the butcher, baker, and brewer love us, but because they love themselves. It's a good thing they do. As Smith added, "By pursuing his own interest [a person] frequently promotes that of society more effectually than when he really intends to promote it."

Like the rich, the rest of us also strive to make ourselves and the ones we love better off. That's proper. No apology is needed. But it's good to know that there are significant secondary benefits from that activity. It confirms there is a fundamental harmony of interests in society. Classical liberals have always stressed that feature of life. It is so ubiquitous that most people don't appreciate it. The surface conflicts are more noticeable and thus get more attention. Two people applying for the same job, for example, see each other as rivals. Two firms in the same industry are in a kind of conflict with respect to wooing consumers. Even consumers may now and then be in direct competition for an especially scarce product.

But that conflict is superficial. Deep down there is a harmony of interests among rational people. The job applicants have an ultimate mutual interest in a process in which employers freely choose their employees and anyone is free to aspire to any job. Ayn Rand, in her essay "The 'Conflict' of Men's Interests," wrote, "Both men [applying for the same job] should know that if they desire a job, their goal is made possible only by the existence of a business concern able to provide employment . . . and that their competition for the job is to their interest, even though one of them will lose in that particular encounter."

Similarly, two companies have an ultimate interest in a process in which consumers freely choose whom to buy from and anyone may aspire to be in any business—even though one loses out in the bid for a given customer and maybe even go bankrupt.

## Fundamental Concord

Ludwig von Mises saw this concord among people as natural and fundamental. No one better appreciated that it is what makes society and prosperity possible. For him, the worst thing that could be said about government intervention is that it jeopardizes civil peace. In his essay "The Clash of Group Interests," he wrote, "In a free-market society . . . [t]here prevails full harmony of the rightly understood (we say today, of the long-run) interests of all individuals and groups. . . . The short-run interests of a group may be served by a privilege at the expense of other people. The rightly understood . . . interests are certainly better served in the absence of any privilege."

The division of labor and knowledge benefits us all. *Competition* is simply another word for cooperation. It's the result of multiple offers to cooperate in any given endeavor. If we are free to choose with whom we will cooperate, there is competition. The idea that cooperation and competition are opposites is silly. The idea that libertarians oppose cooperation is worse than wrong. The marketplace is the paradigm of cooperation. I'll give you item A if you give me item B. What's that if not cooperation?

To their credit, Americans do not hate the rich, despite decades of anti-capitalist envy-mongering. (That was reconfirmed earlier this year in a public opinion poll.) Now we see there's another reason not to hate them. Not only do they invest most of their incomes, providing new products and opportunities for all, but they also make us better off simply by engaging in what was once condemned as conspicuous consumption. □

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THE FREEMAN
Ideas On Liberty

# The Taiwan Model

by Hugh Macaulay

People at all times in the past and everywhere on earth today have wanted to enjoy economic growth and prosperity, as well as political and personal freedom. Unfortunately, as Milton Friedman has observed, our existence has been more often one of stagnation and poverty, considerable political control, and little personal freedom. The desire for the good life and the reality of the bad describe conditions faced by most people on the planet both then and now. Why have we failed so miserably?

Economists have noted that free markets and protected property rights allow people to reach these economic goals, while many political philosophers have called for democracy and limited government to produce the latter aims. Considering the universal lack of these sought-after conditions, the arguments have not been persuasive, or at least have not persuaded those in power.

If we seek empirical evidence of policies and plans that have led to these desired results, the United States springs readily to mind. But its success is often attributed to its natural resources, its defensive moats of two oceans, and a well-educated population of immigrants. Is there not another convincing example, a smaller country with conditions like those in many poorer nations to serve as a model, one whose policies can be easily duplicated? I offer the Republic of China on Taiwan, usually called Taiwan, as a shining country on a hill.[1]

If this description is correct, why have not others beaten a path to its door, eager to learn and duplicate its accomplishments? Taiwan is an international pariah. It is not a member of the United Nations or of most other international bodies. It has formal diplomatic relations with only 29 of the very smallest countries. Its accomplishments are not recorded in most of the international collections of statistics. Its successes are largely unknown and unsung.

We will detail first why Taiwan was unlikely to succeed. It faced almost every conceivable condition that has led other countries to explain away their failures. Next we examine its record of successes, levels achieved by few countries anywhere or at any time. We then look at conditions that produced this outstanding record, conditions ridiculed and rejected by most countries. We conclude with lessons for other countries, both those called emerging and those that are fully advanced. There is much to be learned.

## Barriers to Economic Growth

Countries that are described as less developed countries (LDCs), or emerging countries whose output is rising slowly or is perhaps stagnant or even falling, seem always to have an excuse for their sad condition. Something

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beyond their control explains their plight. This unfortunate situation, which they have inherited from God, nature, or other malevolent humans is offered as a reason for failure. Taiwan, however, has inherited nearly all of these problems and still succeeded. The barriers include:

*Colonial Status*. Countries in Africa and Southeast Asia, and particularly India, cite their sad earlier fate as a colony of some other nation bent on exploiting their resources and population. This massive drain has left the former colonies prostrate and exhausted and unable to recover and prosper. But Taiwan was a Japanese colony from 1895 to 1945, and the Japanese were never noted for kindness or beneficence to their colonies. The Japanese did construct some roads, railroads, a few factories, and port facilities, which provided a small base on which the Chinese could later build. Other colonial powers, however, left similar assets, which were most often wastefully used or abandoned.

*Natural Resources*. These help explain the success of the United States, Australia, Kuwait, South Africa, and a few other nations, but most poor countries tell us how they were deprived of these blessings. How can a nation grow when it has no inheritance of natural-resource wealth? Taiwan has some coal, inefficient to mine, and some recently discovered natural gas, but no significant oil, iron ore, or minerals, and little tillable land. It is hard to make something out of nothing. But Taiwan has done so.

*Overpopulation*. India and China give this as the principal reason they have remained poor. Since Malthus, most who have written on the topic have cited the overbearing nature of the population problem. Taiwan is a small island, less than half the area of South Carolina, with a population of about 21 million, which makes it the second-most densely populated nation on earth, behind only Bangladesh. Further, 62 percent of the island is mountainous, with over 60 peaks above 10,000 feet, so that its people live in an area the size of Connecticut. If overpopulation produces poverty, Taiwan should be the poorest nation on earth.

*Immigration*. Closely related to population is immigration. Hong Kong was unable to absorb fleeing Vietnamese and forcibly repatriated some of them. The United States complains of illegal immigrants, and often of even the legal ones. England has long voiced concern over immigrants from the Commonwealth. But in 1949 some two million Nationalists from the mainland came to join the six million residents of Taiwan, a 33 percent increase in population in two years. Many residents of the United States find our annual immigration rate of less than 1 percent a heavy burden, lowering our average wage rate and reducing our per capita GDP. Taiwan took its burden of immigrants and proved them to be a great blessing.

*Illiteracy*. An educated populace is necessary for a country to prosper, and illiteracy characterizes poor countries. But when the Japanese left Taiwan, they left a population they had not tried to educate. Even in 1952, after the Nationalists had arrived on Taiwan, 41 percent of the population was illiterate, 43 percent had completed only primary school, and just 9 percent had finished high school. Many other countries were cowed by such conditions; but not Taiwan. By 1994 only 6 percent were illiterate and 63 percent had completed high school. In 1952 only 13 Taiwan students were doing graduate work, but by 1996 there were 42,000. Compare these results with those in any countries in Africa or Latin America.

*National Defense Expenditures*. Will Durant observes that the natural state of mankind's existence is war. This means that all nations must spend resources on national defense, which diverts activities from investment and consumption. So, many countries attribute their poverty to their need to defend what little they have. Even so wealthy a nation as the United States has in recent decades explained its slow rate of growth as a result of large expenditures on national defense. Taiwan, with its 21 million people, lies 150 miles

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from Mainland China with its 1,250 million who loudly proclaim their intention to bring Taiwan back into the fold. Taiwan's defense expenditures are not published but are estimated to run from 10 to 20 percent of GDP, and every physically able young man must spend at least one year serving in the military, depriving the nation of his productive activity. We in the United States spend 3 percent today and have not spent more than 7 percent since 1972. Taiwan has managed to produce both guns and butter.

*Foreign Aid.* Many nations argue they cannot prosper without the help of foreign aid. Yasir Arafat makes this a condition for the success of his new Palestinian political unit. While Taiwan was a beneficiary of U.S. foreign aid after World War II, this aid was discontinued in 1968. Taiwan has prospered without foreign gifts.

*Diplomatic Ostracism.* Since 1979, when the United States recognized the People's Republic of China, the Republic of China on Taiwan has been expelled from the formal community of nations. This is a deterrent to trade, but the inventive people on Taiwan have found ways to circumvent this barrier.

This is a formidable array of difficulties, adverse conditions, and reasons for failure. Many a country has used just one of these to explain its poverty and stagnation. Taiwan has had all of them and has still amassed a record that places it at the top of all nations. One immediate lesson is that these explanations are not valid reasons for failure but only weak excuses with no foundation. The excuses are the emperor's new clothes, and Taiwan is the little boy stating, quietly, the truth about the impressive robes.

## Taiwan's Accomplishments

If citizens of a country are to enjoy a good standard of living, the economy of the country must grow—rapidly if it starts from a low base. Taiwan has done just that. From 1952 to 1992, a period from the arrival of the Nationalists on Taiwan to this decade, the annual growth rate in real GDP was 8.7 percent. For the United States during the same period, it was 3.2 percent. The power of a compounded rate of growth is often poorly understood, but these figures should help put the concept in perspective. Taiwan's real GDP grew 27-fold; in the United States it grew less than fourfold.

Dozens of other countries were simultaneously stagnating, or suffering a decline in output.

Of course, some of this growth could be due to an increase in population, for more people mean more goods. When we adjust these figures to per capita terms, we find real income grew at 6.4 percent per year in Taiwan, a twelvefold increase. The average per capita GDP for an American today is about $30,000. If we enjoyed the growth rate of Taiwan, in 40 years the average American would have $360,000. Instead, U.S. per capita growth in real terms has been at 2 percent per year, a twofold increase over the 40 years. And in the last 20 years to 1990, the growth rate has fallen to 0.9 percent, which would take 75 years to double output per person. Rates of growth such as those in Taiwan can produce miracles—hence, the common phrase "the Taiwan Miracle."

It could be that this growth in output per person is due to workers laboring increasingly longer hours. We find, however, that the number of hours worked per person per month in manufacturing fell from 223 in 1975 to 202 in 1990, a 9 percent decline. More goods with less work is an achievement we all seek.

Half of the "Misery Index," made popular by the late Senator Hubert Humphrey, is the unemployment rate. Never in the 40 years we are considering did it reach 3 percent in Taiwan. After 1954 it never reached 2 percent, and in eight of these years it was less than 1 percent. In no year did the lowest U.S. rate fall as low as the highest Taiwan rate. There is little misery in these figures.

Many economists explain low rates of unemployment by high rates of inflation. The Taiwan experience debunks this theory. Over the 1952-to-1992 period prices rose an average of 6.3 percent per year. This compares with a rise of only 4.4 percent in the United

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States. But Taiwan's increases were concentrated in the early 1950s and during the two oil shocks; in one of these years prices rose 47 percent. In 11 of the 40 years prices rose less than 3 percent, a level reached in the United States in only one year between 1968 and 1990. Taiwan has shown the world that stable prices are consistent with rapid growth.

Countries around the world have borrowed from others to invest and produce. The result has been little capital and much debt. Taiwan has not borrowed but saved and amassed foreign reserves of roughly $100 billion. Such wealth can assure future growth and well-being.

The benefits of this growth have been widely dispersed. Today 99 percent of Taiwanese households have color televisions and refrigerators. The figures for telephones and washing machines are 97 and 92 percent, respectively. When the Berlin Wall fell in 1989, fewer than 10 percent of East Germans had telephones—in what was the wealthiest of the Soviet-bloc countries.

A comparison of the Republic of China on Taiwan with the People's Republic of China makes clear what Taiwan has accomplished. In 1950 when the Nationalists had just arrived on Taiwan, the per capita income on both Taiwan and the Mainland was $50 per year. By 1992, the figure for the Mainland had risen to about $500, while that for Taiwan was over $10,000. Here were two people with similar cultural backgrounds and accomplishments. The important difference was the social and economic systems adopted in each country. Could there be a clearer example of the superiority of political and economic freedoms?

## Factors Promoting Economic Growth

Throughout the period we have examined, most economists who specialized in economic development argued that government should direct the economy to overcome market failures, protect infant industries, promote saving for capital investment, and direct those investments so the greatest social good would be realized. Although Taiwan followed some of those policies in its earliest days, after about 1957 it marched to a different drummer, one beating out the cadence of free markets and limited government.

Taxes take resources from productive individuals and transfer them to government, discouraging economic activity. The Republic of China collected only 14 percent of gross national product in taxes in 1960, while the United States was taking 25 percent. By 1990 the Republic's take had risen to 20 percent and the United States' to nearly 40 percent. Although the upward trend seems universal, Taiwan has left with its citizens more money and greater incentive to produce.

Modern nations have large welfare programs to succor those in need. The "social safety net" commands much attention. Taiwan has acted as though people can take better care of themselves and their friends and relatives than can government. Social-welfare expenditures have been less than 1 percent of GDP. Their welfare program has consisted of rapid growth, stable prices, low unemployment, and a wide distribution of consumer goods. Results count.

Most governments promote labor unions as a way to help working people. Taiwan has not promoted unions, and union power has been weak. A review of the figures above show how workers have gained more from markets than from unions.

Firms are born and they die. Each event is traumatic, and government aid is often sought to make the process easier. Taiwan has protected few of its infant industries; those it has assisted have remained dependent on government support. Dying firms have been allowed to close. A recent study shows this policy has promoted efficiency, growth, and a higher standard of living.

Early in the 1950s Taiwan undertook a land-reform program, but it differed from those in other countries. In Taiwan the land was bought, rather than taken, from its owners. It was then sold, rather than given, to its new owners, who had worked on these farms. Thus, property rights were respected, and responsibility was promoted. These actions established confidence in property rights and promoted business formation.

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Finally, culture is always an important factor in the economic life of a people. The Confucian culture, with its emphasis on family, education, and work, is an invaluable characteristic, as is shown by the four Little Tigers, where it has been prominent, and by the Mainland, where it has been denigrated.

## Political Freedom, Too

Writers such as Adam Smith, F. A. Hayek, Milton Friedman, and Julian Simon predicted that free markets and a respect for property rights would produce a prosperous society with political freedom. We have outlined the economic accomplishments above. The political system has moved from local elections to election of all members of the legislative yuan to popular election of the president. Residents of Taiwan have great freedom of religion, press, and political expression to go with their rapidly growing economy.

The theory and practice of freedom are found in Taiwan. All other nations have only to look, listen, and learn. If Taiwan can achieve these results, every nation on earth should be free and prosperous. □

1. Editor's note: Despite its virtues, Taiwan has not escaped political corruption. Doug Bandow supplies details on pages 412–413 of this issue.

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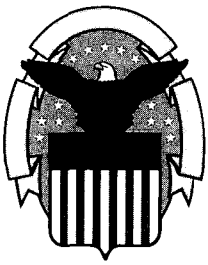

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THE FREEMAN
Ideas On Liberty



# The Wild West Meets Cyberspace

by Andrew P. Morriss

In 1848 Americans received the startling news that the vast territory they had just acquired from Mexico included tremendous riches. California, previously a distant, sleepy Mexican province whose economy was based on trading cattle hides and tallow for manufactured goods, was actually brimming with gold. There it was, just lying on the ground. Tens of thousands of individuals from all parts of the globe flocked to California, beginning almost 50 years of western mineral rushes. Similarly, after the Civil War, Americans discovered that the "Great American Desert" in the central west was perfect for raising cattle. Thousands of individuals and tens of millions of dollars of capital quickly flowed into the region to create the range-cattle industry.

Gold and cattle became important influences in shaping modern America, creating hundreds of millions of dollars of wealth, new businesses (like Wells Fargo & Co.) that shaped the decades that followed, and revolutions in transportation and communications, exemplified by the transcontinental railroads and telegraph. During the next half century, western miners, cattlemen, and others built new institutions that challenged the existing structure of government.

*Andrew Morriss is associate professor of law and associate professor of economics at Case Western Reserve University in Cleveland, Ohio. His article on spontaneous order in the nineteenth-century American west, "Miners, Vigilantes, & Cattlemen," is forthcoming in the* Land and Water Law Review.

Today a new gold rush is beginning. Entrepreneurs are using the Internet and other technological breakthroughs to create new wealth, build new business empires, and revolutionize communications. Just as happened in the nineteenth century, however, politicians are frightened by the entrepreneurial forces these opportunities unleash. One of the most widespread and powerful metaphors being invoked in the debate over whether we stand on the verge of a new era of unlimited prosperity or on the brink of societal collapse is that of the nineteenth-century American west. Hundreds of news stories and editorials compare the Internet to the "Wild West," some to illustrate the opportunities available in cyberspace, most to warn of the dangers.

In the opportunity camp is the comedian Sinbad, who says the Internet is like the Wild West because it is "the only place left where you can be creative without any money and compete with the big money boys. And I think it bothers the boys—that the Internet puts the tools in the hands of the everyday person." In the danger camp is Minnesota Attorney General Hubert H. Humphrey III, who warns that "it's time to let go of the romanticized image of the Internet as the Wild West—an electronic frontier where the law is not enforced." Which image of the west sticks is likely to have profound consequences for how we understand cyberspace and how we treat the opportunities it offers. Sinbad is right. Attorney General Humphrey is wrong.



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## Spontaneous Order in the West

When the gold rush, range-cattle industry, and other economic opportunities brought tens of thousands of new residents to the nineteenth-century west, the new arrivals had little choice but to create their own institutions to provide law and order. The west was far away from established centers of government, and the small outposts of officialdom present were usually unable to assert significant civil authority. In gold-rush California, for example, American military commanders were afraid to allow their troops to leave their forts because the lure of the mines led to rampant desertion.

Thrown back on their own resources, the miners, cattlemen, and others quickly established their own institutions, using contracts to create property rights, for example. Remarkably, these institutions endured despite the regular doubling of population. In almost all cases more recent arrivals (who outnumbered the first waves of miners) respected established claims, choosing to establish their own claims on unoccupied land rather than using force to oust earlier arrivals with productive tracts. Even when government finally arrived, the west's size enabled those who found taxes oppressive or regulations annoying to easily move on. When pioneering Texas cattleman Charles Goodnight encountered a tollgate across the main pass north, for example, he blazed a new trail around it. Similarly, when Canadian authorities attempted to tax gold miners in the Yukon, many packed their bags and left for Alaska. Indeed, despite the vast wealth produced from gold deposits across the west, it was not until quartz mining with its deep shafts and expensive machinery replaced panning for placer deposits as the dominant form of mining that governments became able to "mine" the industry for significant tax revenue. As a result, miners managed to avoid any federal regulation for eighteen years after the gold rush began. Even when the federal government finally asserted its authority over mineral resources in 1866, it was forced to recognize the validity of the customary norms and property claims established by the miners.

Spontaneous orders thus developed in the absence of the state across the west. Westerners established property rights and dispute-resolution mechanisms that relied on the consent of the participants rather than the coercive force of the state. They lived in peace and good order without centralized executive authorities, police, jails, or armies. Simple tort rules sufficed for criminal law. Corruption of those appointed to resolve disputes was rare, a striking contrast to the rampant corruption among government judicial officials in the west.

## Spontaneous Order on the Internet

As it was in the west, the state is largely absent from the Internet today. The Internet is "far away" from government because there are no centralized control mechanisms, making it impossible for any government to physically assert control over information. As a Microsoft vice president told the *Wall Street Journal*, "This is not like regulating trucking." Thus, for example, when a local governing body in Britain recently attempted to squelch an investigatory report highlighting abuses in its child welfare service, web sites outside Britain quickly made the report available in its entirety. Not only was the information thus archived beyond the reach of the British authorities, it remained easily accessible to anyone in Britain with access to the Internet. (Governments can, of course, choose to completely block access to the Internet, but doing so would be akin to forgoing the riches California offered in 1849.)

Despite the lack of centralized control, the Internet exhibits a remarkable degree of order. Without government coercion, millions of users have managed to adopt standardized protocols enabling the network to function. Social norms have arisen in a wide range of contexts, norms that are enforced by communities of users rather than a centralized police force. New tools enhance such decentralized procedures. Deja News, for example, allows users to review others' contributions across newsgroups, enabling individuals' reputations to be easily verified. Certification systems

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from groups like the Electronic Frontier Foundation and Better Business Bureau enable service providers to signal their reliability and trustworthiness.

Even more important, traditional forms of economic regulation are rapidly becoming impossible in many industries. Relatively simple, readily available technology, for example, enabled international "call back" services to force national telecommunications regulators to lower the cost of international phone calls. Indeed, the falling communications costs made possible by the Internet mean that businesses from retail banking to gambling can be effectively removed from regulators' jurisdiction. Widely available means of strong encryption provide individuals with a degree of privacy previously attainable only by government security services. Freedom is thus outstripping the ability of the state to contain it, creating new spaces in which spontaneous orders can flourish.

## Justifying Coercion

Spontaneous orders and freedom frighten governments. Those who fear the Internet's potential to undermine government use the metaphor of the "Wild West" to argue for central control. Hollywood westerns have cemented the idea that westerners lived in a constant hail of bullets loosed by hard-drinking desperadoes. Only when the Texas Rangers, U.S. Marshals, or some other square-jawed lawmen rode into town and stopped the terror could decent people rest easily. Invoking such images and painting a flattering image of themselves as movie lawmen, modern statists like Attorney General Humphrey hope to rescue us from the dangers of the ungoverned Internet. To do so, statists rely on two myths about the west and the Internet:

*Myth 1: The west reached its potential only when government established law and order; the Internet needs the helping hand of government, too.*

The west underwent phenomenal growth during periods when there wasn't *any* functioning government. San Francisco grew from a mud flat to the largest city west of the Mississippi with almost no municipal or state government; gold-rush communities from California to Alaska went from unpopulated wilderness to bustling communities of 10,000 or more in a matter of weeks; and cattlemen transformed much of the Great Plains into a source of great wealth in a few years without significant government help and often in the face of active government opposition. Throughout the nineteenth century, the federal government was never able to keep up with the changing technology and explosive population growth in the west.

Government's absence did not leave westerners impoverished economically or culturally. For most of the second half of the nineteenth century, westerners managed to live productive lives without much government, lives that were full of opportunities for more than chasing cows or panning gold. The explosive economic growth that drew tens of thousands from around the world to make the difficult journey to the American west also attracted entrepreneurs who saw a substantial market for cultural institutions. Westerners filled the region with private libraries, opera houses, schools, and theaters to enrich their lives. World-renowned opera singers and actors toured packed houses throughout the west.

Governments did invest in the region, of course, most notably in massive direct subsidies to railroads and others and indirect subsidies through military infrastructure. The existence of government subsidies is hardly persuasive evidence of the need for subsidies, however. Railroads required government help because the federal government owned most of the land west of the Mississippi. Unlike private landowners, however, the government could offer more than a right of way. Government bonds financed the subsidies that provided an inviting target for flim-flam artists, who used the promise of a rail line to bilk countless millions across the west.

Today politicians like Al Gore want to repeat this experience by using government funding to build the "information superhighway." While the initial infrastructure of the Internet was largely funded through govern-

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ment subsidies, the government's version of the Internet was a sleepy place, much like pre-gold-rush California. The early Internet was sparsely populated, almost entirely by academics, and built around difficult-to-use programs. Only when easier-to-use graphical interfaces became widely available and private investment vastly expanded capacity did the Internet become the exciting, vibrant place it is today. The norms and order present on the Internet are the spontaneous result of billions of interactions among hundreds of millions of users, not centralized planning.

*Myth 2: Like the Wild West, the Internet is full of dangerous people who prey on the helpless and weak.*

In Hollywood's version of the west, no epic was complete without the villain with the pencil-thin mustache preying on the innocent widow and her helpless children. So too, we are warned, is the Internet full of predators: con artists await the opportunity to steal the life savings of the unwary; criminals of all sorts are able to communicate without the fear of being observed because of widespread cheap and effective cryptography; and most ominously, pedophiles lurk online waiting to seduce children.

Again, the reality of the western experience differs from the myth. Many of the greenhorns and easterners fleeced in the west made themselves easy marks. They bought mines without testing the ore or invested in cattle companies that never counted their cattle. Investors who had never been west of the Mississippi or even to America lined up in the 1870s, for example, to invest in western cattle operations that "guaranteed" risk-free profits of 20 percent and more. British investors alone invested between $20 million and $45 million in American ranches from 1879 to 1888. These investors rarely counted the cattle they bought, relying on "book counts" based on sellers' estimates of the rate of increase of the cattle turned loose to roam the plains. It should come as no surprise that such sloppiness was eventually rewarded by massive losses.

People are losing money on the Internet today for similar reasons. Simply being careful with your credit-card number and suspicious of terms that seem too good to be true prevents most fraud. Indeed, rather than a source of fraud, the Internet is actually turning out to be a valuable tool for distributing up-to-the-minute information on fraudulent schemes. (Try the Better Business Bureau's web site at http://www.bbb.org for some creative fraud-busting.)

Protecting children turns out to have a similarly simple solution: parents. Commercial Internet service providers have already produced services aimed at children—E-mail service that allows messages to be received only from approved addresses, for example. Simply putting the home computer used for Internet access in a room where the screen is readily visible to others is an effective deterrent to children's unauthorized access to sites with inappropriate content. Moreover, as demand grows for ways of enhancing parents' ability to control their children's access to the Internet, entrepreneurs will provide more effective products and services than government will.

## The West as a Metaphor for Opportunity and Freedom

The opening of the American west created unprecedented opportunities for ordinary people. The California gold rush alone offered tens of thousands of people, drawn from every corner of the globe, the chance to pick gold up off the ground. Not surprisingly, they flocked to California and spread out across the west in search of more gold. In the process, they turned what had been a quiet provincial backwater into a fast-growing, diversified economy. While the Internet is not quite offering gold on the ground, it is offering something close. Technology companies are just the better known Internet success stories. On a smaller scale, opportunities abound. I buy most of my books and CDs from Internet stores. I gain access to things unavailable in my hometown and at better prices; the entrepreneurs who offer these services get some of my money. The free market has made us all better off.

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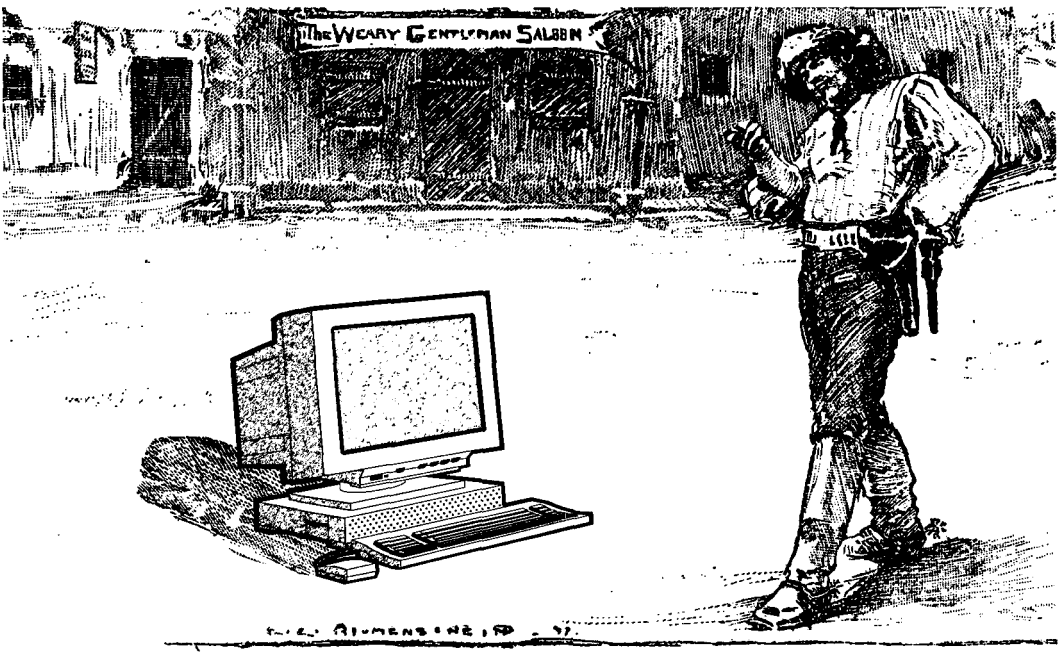
Because we can access information anywhere around the globe, the Internet frees us from geographic constraints on our activities. That means regulators lose a significant amount of control over our lives. We can obtain offshore banking services, gamble on horseracing around the world, buy books from a bookstore in England that charges neither British nor American taxes, and route around censorship. With a little more effort, we can structure databases to exploit regulatory differences or establish a web site on a computer located in any number of countries, where we can sell services, information, or products free from the grasp of regulators. Indeed, what really has government regulators sweating is the Internet's potential for tax avoidance. New York state, in a bid to attract Net businesses, announced last year that it won't tax Internet service providers.

The nineteenth-century west was a place of almost limitless opportunity where, through market transactions and voluntary action, tens of thousands of strangers developed institutions that allowed them to take advantage of that opportunity in communities of peace and good order. Today we are only beginning the Information Rush. Like a forty-niner trying to imagine modern-day San Francisco while looking at the mud flats and tents of his day, we cannot foresee what forms the spontaneous order now evolving in cyberspace will take. What we can do is reject the use of the metaphor of "Wild West" as a justification for state intervention. Whether the demand is for law-enforcement authorities to restrict cryptography or antitrust regulators to crush competition, intervention will stifle freedom. If we are lucky, the Internet will turn out to be just like the American Wild West. □

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Economics

# Social Cooperation and the Marketplace

The primary insights of economics come from explaining how individuals pursuing their own interests make choices that best enable others to pursue their interests as well. This social cooperation is not inevitable. It requires rules that motivate people to consider the concerns of others. The rules that accomplish this amazing feat define the free-market economy.[1]

Free-market economies vary in their particulars owing to cultural variations. But the fundamental rules can be stated in terms of private property. Property is owned privately, and private owners have the right, within broad limits, to use their property as they see fit; rights to property are transferable on any mutually agreed-on terms. Before considering how these rules motivate social cooperation, let's see how remarkable that achievement is.[2]

## Sounds Impossible

Full social cooperation would require that every person have information about the preferences of everyone affected by his decisions and on the constantly changing conditions that alter the relative scarcity of resources. For example, everyone considering using cotton products would have to be informed if a fad has Brazilian teenagers increasing their desire for denim clothing, or if the supply of cotton needed to produce denim is reduced by poor weather in Mississippi, or if new evidence suggests that respiratory problems may result from working in cotton fields. People would have to know literally millions of things that affect the consumption and production of thousands upon thousands of products to know enough to adjust their decisions in mutually accommodating ways. One might throw his hands up at this point and consider that requirement impossible to satisfy.

Transmitting information is only part of the problem. Even if it is communicated, people would still have to be motivated to act on it appropriately, to respond as though they were as concerned with everyone else's well-being as they were with their own.

But before concluding that social cooperation requires an information network far superior to anything even remotely available, and a level of compassion seldom practiced by ordinary mortals, consider that every day we benefit from exactly that type of social cooperation. Indeed, it is so common that most people take it for granted.

## How Does It Happen?

What harmonizes the pursuits of billions of individuals who have little direct information about, or interest in, one another's circumstances? The answer is found in the information and incentives that emerge when people pursue their objectives in accordance with the marketplace rules of private property and voluntary exchange.

When property is privately owned and transfers are voluntary, the prices that emerge

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from the interaction of buyers and sellers communicate a tremendous amount of information. The price you observe for a product reflects how much value other consumers place on an additional unit of it. If the value that Brazilian teenagers place on denim clothing increases, their additional purchases will communicate this information throughout the world in the form of slightly higher prices for cotton products. Everyone who is considering buying these products will be immediately aware of their increased value to others. Prices also indicate the relative availability of different products, and the cost of producing more of them.

Market prices motivate people to respond as if they are as concerned with the interests of others as they are with their own. Consumers will respond to the higher prices caused by Brazilian teenagers as if the consumers are thinking, "Teenagers in Brazil tell us they value additional cotton in denim clothing by a little bit more than we value it in the cotton products we use; so we will reduce our consumption so Brazilians can increase theirs." Or in the case of evidence of health damage to cotton workers, consumers will respond to the higher prices as if they are thinking, "We will reduce our consumption of cotton products to reduce the number of people exposed to the risk in the cotton fields, and we will pay a little more to compensate those willing to take that risk."

Of course, it is primarily self-interest that motivates consumers to respond that way, rather than concern for people they will never meet. Indeed, higher prices tell consumers nothing about *why* cotton products have become more valuable. (Important information, of course, is also communicated through lower prices.) Market prices are efficient precisely because they do not overload consumers with irrelevant information.

Prices also motivate suppliers to respond to the interests of others. Obviously, higher prices tell suppliers that consumers want more of a product. Suppliers are strongly motivated to respond appropriately. But consumers also communicate information disagreeable to suppliers when they decide they want less of a product.

Consumers communicate to suppliers indirectly through the prices for labor, land, machinery, semi-finished goods, and raw materials (inputs). The prices textile producers, for example, pay for inputs reflect the value consumers place on other products that could be produced with those inputs. If those other products become more valuable to consumers, textile producers will receive this information through higher prices for their inputs, which are bid away by the other industries. Textile production will be reduced, and some textile manufacturers may go bankrupt. When a supplier reduces his output, or goes bankrupt, it is as though he is saying, "Consumers are telling me that the resources I am using are more valuable in other employments, so I will use fewer of them so others can put them to better use."

## Blaming the Market for Its Success

The social cooperation that results from the information and incentives communicated through the market is not perfect. But no other economic system comes remotely close to the market in allowing people to achieve their objectives in productive cooperation with each other. The market is criticized mostly for its success rather than for its failure. It is commonly blamed for delivering news about scarcity. No one likes scarcity, but it is not caused by markets. Indeed, the wonder of markets is that they call to action those in the best position to respond. Blaming scarcity on markets makes no more sense than blaming fires on fire alarms.

The problem of scarcity will always be with us. But the social cooperation that is realized only through the marketplace permits us to push the limits of scarcity back farther than is possible under any other system. □

1. Adam Smith famously discussed social cooperation in terms of his "invisible hand." See *The Wealth of Nations* (New York: Modern Library, 1937 [1776]), p. 423.

2. Readers are encouraged to reinforce the discussion in this section by reading F.A. Hayek, "The Use of Knowledge in Society," in his *Individualism and Economic Order* (Chicago: University of Chicago Press, 1980 [1948]). In my opinion, this is one of the most important economics articles ever written.

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THE FREEMAN
Ideas On Liberty

# Whose Rules? Whose Law?

by Jesse Walker

The virtue of the rule of law is that it requires the government, like the rest of us, to follow rules. The trouble with the rule of law is that it's the government that ends up enforcing those rules. Often as not, it ends up doing whatever it wants, defining its own power with little regard for the Constitution, the common law, or the other institutions that are supposed to constrain it. One recent example: the American Heritage Rivers Initiative.

President Clinton will soon designate ten waterways as Heritage Rivers. Each will then be assigned a "river navigator," an official who'll assist local governments in finding federal programs to help them "restore and revitalize their river communities." In other words, he will be a pork facilitator. (Originally, he was to be called a "caseworker." I believe that says something about the way this administration thinks.)

The Constitution is explicit about who has the power to pass laws and spend money: Congress does. The President is not and should not be a lawmaker—the Founders feared excessive executive power, recognizing that it would draw us closer to dictatorship. Yet the Heritage Rivers program was created by presidential fiat. Congress never approved it; indeed, it never voted on it at all. The President simply announced it in his State of the Union address last year.

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Therefore, one might conclude, the initiative is unconstitutional. Right?

Well, yes. But that hasn't stopped the government from moving forward with it, rule of law be damned. A few congressfolk have complained, but to little effect: they have forced the feds to defend their actions, but not to produce any arguments that actually make sense. Thus, the government and its lawyers argued that the program introduces no new regulations and dispenses no new funds, and therefore does not amount to new legislation or new spending. But Washington has already spent several hundred thousand dollars producing brochures, operating a website, flying federal employees to meetings, and otherwise preparing to put the initiative into effect. With time, those expenses will increase and new costs will emerge. The biggest of those will be the river navigators themselves, ten men and women who will be paid anywhere from $70,000 to $100,000 a year apiece, for at least five years. That's as much as $5 million right there, without even taking into account what will happen if more waterways are added to the program.

That sure *looks* like new spending.

In theory, the initiative simply diverts cash from already existing programs. Therefore, argue the Clintonites, it merely reorganizes existing funds, and hence requires no congressional approval. "What we are talking about here is not the creation of a new bureaucracy or the creation of new statutory authority," explains Representative Paul McHale.



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"We are talking about the more efficient administration and delivery of existing federal programs."

That is a shell game. The initiative is a new program; the navigatorship is a new post. The very fact that communities must compete to be designated Heritage Rivers indicates that this is more than a mere continuation of existing programs. Otherwise, what new benefits would they be competing for? And if the plan draws its money from existing agencies, that is *more* cause for concern. When Congress funds the Environmental Protection Agency, the Department of the Interior, the Army Corps of Engineers, and the rest, it is funding *those* departments. It is not authorizing the President to carve from them a new bureaucracy of his own.

At times, even the initiative's advocates seem to recognize this. After President Clinton announced the program, an array of property-rights activists, western legislators, and concerned citizens protested it, worried that it might evolve into a federal land grab. When Congress responded with an oversight hearing a year ago, Representative McHale was among those testifying for the initiative. "The American Heritage Rivers Initiative," he told his colleagues, "is in the conservation tradition of Teddy Roosevelt, Gifford Pinchot, and Rachel Carson. It deserves the support and the funding of Congress."

Maybe, maybe not—but this was an oversight hearing, not a legislative debate. Congress's support and funding were not at issue. The President had already seized that prerogative for himself, Constitution or no Constitution.

Not that McHale cared much about that once his colleagues brought it up. "We heard references earlier . . . about a president taking unilateral action," he testified. "The president of the United States acting without the consent of Congress, and in fact deliberately attempting to circumvent the will of some members of Congress, took executive action to protect the natural resources of the United States. I am not referring to Bill Clinton. I am referring to Teddy Roosevelt. Read his autobiography. What is objected to today is precisely what Roosevelt did nearly a century ago, and with the wisdom of hindsight and history, we now recognize that Roosevelt fortunately protected the natural resources of our nation so that we of this generation might be able to enjoy them."

Think about this. Behind the fashionable Teddymania, McHale is baldly arguing that the ends justify the means and that the Constitution isn't worth anything. Whither the rule of law now? (Asked about this later, the congressman clarified his position. He wasn't saying that the president had the right to circumvent Congress, he explained. He was simply pointing out that Roosevelt did it, and Roosevelt was right to do it, and Clinton is right to do it now. On second thought, "clarified" might not be the word I'm looking for.)

The oversight hearing came and went; the program stayed in place. But the resistance wasn't over yet. When one branch of the government oversteps its bounds, we are supposed to have a weapon of last resort: the courts. And so earlier this year, Representative Helen Chenoweth and three colleagues filed a lawsuit to stop the program, arguing not only that it was passed unconstitutionally but that it violates the Tenth Amendment and private-property rights as well.

In March, Judge Henry Kennedy dismissed the case without even considering the plaintiffs' arguments, declaring that Chenoweth and company simply did not have standing to present the suit.

All this may seem unimportant. But it's part of a pattern. Look at the long list of laws enacted by executive order. Look at all the powers executive agencies have arrogated to themselves at the expense of the judiciary as well as Congress. Look at all the military adventures presidents have ordered without any congressional declarations of war. The Heritage Rivers Initiative is another precedent, another blow—as the band sang, another brick in the wall. Above all, it is another reminder of how our government actually does business behind the pretty words that decorate the National Archive.

The rule of law is a great idea. But can it withstand the rules and the lawyers? □

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THE FREEMAN

# Milton Friedman, Ex-Keynesian

"I had completely forgotten how thoroughly Keynesian I then was."
—MILTON FRIEDMAN[1]

What?! The world's most famous free-market economist a former Keynesian?

Yes, it's true. One of the more remarkable revelations in Milton and Rose Friedman's new autobiography, *Two Lucky People*, is Milton Friedman's flirtation with Keynesian economics in the early 1940s. During his stint with the Treasury Department, Friedman was asked to give testimony on ways to fight inflation during World War II. His reply, couched in Keynesian ideology, mentioned several options: cutting government spending, raising taxes, and imposing price controls. Amazingly, nowhere did he mention monetary policy or controlling the money supply, the things Friedman is famous for today.

During the 1930s, Friedman had also favored Keynesian-style deficit spending as a way out of the Great Depression. His mentor was not Keynes himself but Friedman's teachers at the University of Chicago. Friedman recounts, "Keynes had nothing to offer those of us who had sat at the feet of [Henry] Simons, [Lloyd W.] Mints, [Frank] Knight, and [Jacob] Viner."[2] In short, Chicago economists were Keynesian before Keynes.

In his autobiography, Friedman says he was "cured" of Keynesian thinking "shortly after the end of the war," but doesn't elaborate. In a recent letter, he denies ever being a thorough Keynesian. "I was never a Keynesian in the sense of being persuaded of the virtues of government intervention as opposed to free markets." It should also be pointed out that Friedman's teachers at Chicago blamed the Great Depression on "misguided government policy." Friedman indicates he was "hostile" to the Keynesian idea that the Depression was a market phenomenon.[3]

Despite these statements, many free-market economists have long accused Friedman of being a quasi-Keynesian.

On December 31, 1965, *Time* magazine put John Maynard Keynes on the cover and quoted Friedman as saying, "We are all Keynesians now." Later, Friedman said he was quoted out of context. "In one sense, we are all Keynesians now; in another, no one is a Keynesian any longer. We all use the Keynesian language and apparatus; none of us any longer accepts the initial Keynesian conclusions."[4]

In an article published in 1986, Friedman glorified Keynes as a "brilliant scholar" and "one of the great economists of all time." He described *The General Theory* as a "great book," although he considers his *Tract on Monetary Reform* as his best work. More-

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over, he declared, "I believe that Keynes's theory is the right kind of theory in its simplicity, its concentration on a few key magnitudes, its potential fruitfulness."[5]

Many conservatives wonder how Milton Friedman, defender of free markets, could speak so highly of a man considered the intellectual architect of the postwar inflation and the modern welfare state.

Friedman is known as the leader of the Monetarist opposition to the Keynesian revolution. According to Friedman, monetary policy (manipulation of the money supply and interest rates) influences economic activity far more than fiscal policy (taxes and government spending). Yet it must be remembered that monetary and fiscal policies are both forms of state intervention in the economy. Accordingly, some free-market advocates see Keynes and Friedman as partners in crime.

Granted, Friedman, as opposed to the Keynesians, favors a strict limit on monetary growth. Yet even Friedman occasionally succumbs to interventionist fever. Late last year he endorsed this remedy for Japan's sluggish economy: print more money. Apparently Friedman felt that the easy-money policy in effect in Japan since 1994 (recent M1 was growing at 9.9 percent, M2 at 4.3 percent) was insufficient. "The surest road to a healthy economic recovery," he wrote, "is to increase the rate of monetary growth." What about tax relief, deregulation, and open markets? Friedman failed to list any of these options.[6] Undoubtedly he favors these remedies, but the article rekindled the old accusation that "only money matters" to Friedman.

## Friedman the Anti-Keynesian

I have to admit that, like many free-market economists, I am surprised by these findings and the favorable comments Friedman has made about Keynes. I've always viewed the leader of the Chicago school as strongly anti-Keynesian. His *Monetary History of the United States* clearly contradicts Keynes's contention that the capitalist system is inherently unstable.[7] The book shows that the Fed's inept policies, not free enterprise, caused the Great Depression. Friedman's permanent-income hypothesis modifies Keynes's consumption function and undermines the case for progressive taxation. His natural-rate-of-unemployment doctrine denies any long-run trade-off between inflation and unemployment (the Phillips curve). In *Capitalism and Freedom*, Friedman challenges the effectiveness of the Keynesian multiplier and declares that the federal budget is the "most unstable component of national income in the postwar period."[8] And, as early as 1963, he labeled as "erroneous" the Keynesian proposition that the free-market economy can be stuck indefinitely at less than full employment.[9]

So where does that leave us? In one of the more controversial contributions to my edited volume *Dissent on Keynes*, Roger Garrison of Auburn University asks, "Is Milton Friedman a Keynesian?" Garrison contends he can argue it either way. Indeed. Yet, in the final verdict, I can't help but think that Friedman, as an open-minded scholar, is willing to investigate and test all theories, no matter their source, and this methodology has gradually led him to discard most of Keynesianism. As he himself has written, "I have been led to reject it . . . because I believe that it has been contradicted by experience."[10] □

1. Milton and Rose Friedman, *Two Lucky People* (Chicago: University of Chicago Press, 1998), p. 113.
2. Milton Friedman, "Comments on the Critics," in Robert J. Gordon, ed., *Milton Friedman's Monetary Framework* (Chicago: University of Chicago Press, 1974), p. 163.
3. "Comments on Critics," pp. 48–49.
4. Milton Friedman, "Why Economists Disagree," *Dollars and Deficits* (New York: Prentice-Hall, 1968), p. 15.
5. Milton Friedman, "Keynes's Political Legacy," in John Burton, ed., *Keynes's General Theory: Fifty Years On* (London: Institute of Economic Affairs, 1986), pp. 47–48, 52.
6. Milton Friedman, "Rx for Japan: Back to the Future," *Wall Street Journal*, p. A22, December 17, 1997.
7. With Anna J. Schwartz (Princeton, N.J.: Princeton University Press, 1963).
8. Milton Friedman, *Capitalism and Freedom* (Chicago: University of Chicago Press, 1962), p. 76.
9. Milton Friedman and David Meiselman, "The Relative Stability of Monetary Velocity and the Investment Multiplier in the United States, 1897–1958," in E. Cary Brown, et al., ed., *Stabilization Policies* (New York: Prentice-Hall, 1963), p. 167. See also Friedman's recently published article, "John Maynard Keynes," *Economic Quarterly*, Federal Reserve Bank of Richmond, 83/2, Spring, 1997.
10. "Keynes's Political Legacy," p. 48.

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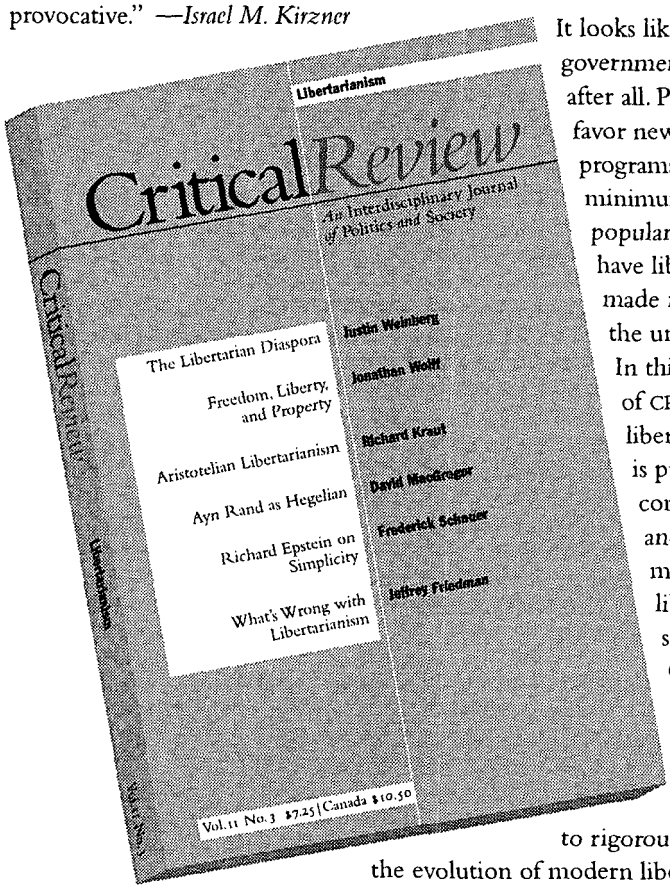


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# BOOKS

**The Fire of Invention: Civil Society and the Future of the Corporation**

by Michael Novak

Rowman & Littlefield • 1997 • 177 pages • $19.95

Reviewed by John Hood

The Corporation, as we know it—and we know it from every aspect of our lives—was invented; it did not come to be of itself." With those words from Oscar Handlin begins Michael Novak's latest work, *The Fire of Invention: Civil Society and the Future of the Corporation*. The quotation sums up neatly the two main thrusts of Novak's short and readable book: the moral and social importance of the corporation, and the role that invention and patent laws play in a free society.

*The Fire of Invention* is based on three lectures Novak gave at the American Enterprise Institute in Washington. The first deals with the history and future of the corporation. Novak points out that while the publicly held corporation has become a worldwide phenomenon, the people of the United States are primarily responsible for "inventing" it as a basic social institution.

They did so first by suggesting that they as citizens, not as merely the subjects of a sovereign, could form corporations. The citizens of Massachusetts, for example, made up a charter of incorporation for Harvard University in 1636, shocking the monarchy back in England. By 1800 the United States, populated by only about 5 million people, had more business corporations than all of Europe.

The difference between America and Europe went beyond the extent of incorporation to the nature of civil society itself. Instead of pleasing states and sovereigns, would-be American incorporators would have to please customers and stockholders. "[The corporation] brought to civil society not only independence from the state but also unparalleled social flexibility and a zest for risk and dare," Novak argues.

The second lecture in the book details another of America's unique social institutions: its patent system. Without a system for "intellectual property," the Founders believed, America's experiment with freedom would fail. That is why providing for patents and copyrights, Novak maintains, is among the few enumerated powers of the federal government in the U.S. Constitution. And he does students of economic history a great service by uncovering Abraham Lincoln's long-forgotten celebration of the Founders' wisdom about patents. Before patents, Lincoln wrote, inventors had no way of protecting their practical ideas and thus lacked the incentives to develop and use them. "The patent system changed this," Lincoln continued. "[Patents] secured to the inventor, for a limited time, the exclusive use of his invention; and thereby added the fuel of interest to the fire of genius, in the discovery and production of new and useful things." The title of Novak's book is a paraphrase of this classic passage.

Corporations and patents were necessary to the explosion of American know-how throughout the nineteenth century. Even innovations originating elsewhere, such as the railroad, were implemented far more quickly in the fertile soil of the United States. Many economists and historians have tossed around various explanations for this fact, but Novak is onto the truth when he spotlights the role that social institutions play in guiding human endeavor.

The last of Novak's lectures is on corporate governance. This is an important issue, given the insistence by latter-day socialists that "stakeholders" (outside interests affected by corporate decisions) deserve representation in corporate governance equal to the stockholders. Some argue that stockholders don't deserve priority treatment because they are mostly passive, with little or no interest in the management of the firm. The author shows the hazards of this thinking.

Excellent as the book is, I wish that Novak had covered more ground. One dangerous argument that critics make is that corporations have duties to society. But Novak says little about this. He observes that the growth of pension funds means both broader stock

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ownership throughout society and stronger pressure on behalf of shareholders to keep managers in line. It is not enough to argue, however, that the interests of society in general and those of stockholders are converging because of the growth of stock ownership. One must challenge the basic assumption that the limited-liability corporation is a government intervention in the free market.

Although Novak doesn't weigh in on all the issues and arguments, his book remains one of the best introductions to the subject of the morality of the corporation that one can find. Its brevity is an asset, not a liability; it makes *The Fire of Invention* a perfect gift for that busy corporate executive you know who needs to understand more clearly why what he does is socially beneficial and morally just. □

*John Hood is president of the John Locke Foundation, a nonprofit think tank based in Raleigh, North Carolina, and author of* The Heroic Enterprise.

**1998 Index of Economic Freedom**

by Bryan T. Johnson, Kim R. Holmes, and Melanie Kirkpatrick

Heritage Foundation-Wall Street Journal • 1997 • 376 pages (oversized) • $24.95 paperback

Reviewed by William H. Peterson

In 1989–1991 the walls of Eurocommunism came tumbling down, including the most dramatic one of all, the Berlin Wall. Since then, like a fresh breeze blowing around the world, the watchword for investors and others has been freedom, a growing understanding that economic growth swings on economic freedom. Unfortunately, that understanding has been resisted in some nations, and there is even much hostility to it in our own. Witness, for instance, the antitrust assault on Microsoft.

The *Index of Economic Freedom*, now in its fourth year, recognizes this vital truth and furnishes a practical reference guide on the economies of 156 nations. It does so with a concise country-by-country analysis, with two pages per country. Each analysis includes up-to-date data on taxes, tariffs, government intervention, black markets, monetary policy, banking regulations, foreign investment codes, and the like. Maps in color abound.

By the lights of Heritage's Johnson and Holmes and the *Wall Street Journal*'s Kirkpatrick, the five unfreest countries are, in descending order, Bosnia, Iraq, Cuba, Laos, and, at the very bottom, North Korea. The five freest countries of the 1998 *Index* list are, in order, Hong Kong, Singapore, Bahrain, New Zealand, and, tied for fifth place, Switzerland and the United States.

To be sure, some question economic freedom in light of "the Asian Contagion," a sudden economic letdown that has left the vaunted Asian tigers looking rather emaciated and wobbly. Nor has their look been enhanced by the International Monetary Fund's pumping in some $150 billion in bailout credits.

But a check of the chief "beneficiaries" of the IMF bailout shows recipient countries were themselves remiss in embracing economic freedom. South Korea, for example, ranked 24th in the *Index*, Thailand 28th, and Indonesia 62nd. Moreover, these countries, like the oldest tiger of them all, Japan, have engaged in neomercantilism and "bubble banking"—by which banks used fractional reserves to inflate the value of mortgaged assets such as factories, hotels, shopping malls, and office buildings to bubbled heights. (Murray Rothbard, with your call for 100 percent bank reserves, thou should'st be living at this hour!) The "Asian Contagion" can be said to indict economic freedom by those who have but superficial understanding of these nations.

The real issue for the IMF is whether it should be in the bailout business at all: wouldn't it be wiser to let perpetrators of crony capitalism and neomercantilism learn from their own errors?

A wealth of information is to be found in these pages. Argentina, for example, is hailed for its success with an anti-inflationary currency board. The question of Hong Kong's remaining as No. 1 in the *Index* is raised in view of its political reversion to China. The Netherlands is downgraded for boosting government regulation and wage and price controls.

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The United States is ranked as one of the world's nine "free" nations. This is certainly true comparatively, but is there a drawback to pinning that label on a nation that taxes, regulates, nannies, bullies, and bothers its people as much as our government does? Calling the country "free" permits antimarket ideologues to say, "We're prosperous and free because of our many wise and compassionate government programs." That's nonsense. Americans are, in many, many ways, *not* free and we suffer because of that. But, as Frederic Bastiat pointed out, the suffering from economic meddling is largely *unseen.*

*Wall Street Journal* editor Robert L. Bartley writes in the foreword: "Our editorial policy has always championed free people and free markets. Often over the past century, these ideas have been on the defensive, and it is remarkable to witness them reemerging and gaining the ascendancy as a new century approaches." I believe Bartley is right, but we have a huge battle before us, even in our "free" nation, to say nothing of the majority of the world's economies that isn't even close. □

*William Peterson, an adjunct scholar with the Heritage Foundation, is the Lundy Professor Emeritus of Business Philosophy at Campbell University in North Carolina.*

**Hot Talk, Cold Science: Global Warming's Unfinished Debate**

by S. Fred Singer

Independent Institute • 1997 • 110 pages • $14.95

Reviewed by Ben Bolch

Fred Singer is a scientist with impeccable credentials. He was the first director of the U.S. Weather Satellite Service, winner of the U.S. Department of Commerce Gold Medal Award, and a fellow of the American Association for the Advancement of Science. Yet Singer represents quite a threat to government science these days in that he openly questions the validity of one of the weakest excuses for a governmental takeover of the world economy—global warming.

Singer begins this devastating critique with three incontrovertible points. First, the global-warming scare is completely a child of computer models—models that have never been verified by empirical data. Their predictions of future warming are more than doubtful.

Second, even if the modest warming now predicted by the models is occurring, the result is likely to be beneficial to human beings rather than harmful. What government science considers to be the major culprit, $CO_2$, is as essential to plants as oxygen is to animals. There have even been suggestions that a significant part of the success of agriculture's "Green Revolution" can be traced to the mildly elevated levels of $CO_2$ that we currently enjoy.

Third, $CO_2$ levels are quite low relative to past known levels, and they appear to have been mostly declining for the past 200 million years. In fact, there is no known scientific definition of what might represent a "dangerous" level of $CO_2$. Hence, there can be no objective scientific case made for its control. Indeed, some analysts contend that the earth is currently starved for $CO_2$ relative to the past historical levels of that gas.

Singer offers important data that cast doubt on claims that the atmosphere has warmed significantly, especially since the middle of this century. In particular, the "urban heat island" effect inflates ground-level temperature measurements taken near densely populated places. Once this effect is taken into account, we find that the years around 1940 were the warmest this century.

The author also discusses the distortions of the Intergovernmental Panel on Climate Change (IPCC), whose report forms the basis for the recent Kyoto Conference. The IPCC's Summary for Policymakers (which is what the press reads) did not faithfully represent the report itself, which is filled with doubts about man's influence on global climate. After the report was circulated, a poll of atmospheric scientists indicated that an overwhelming majority felt that there was no clear evidence that the climate record of the past 100 years could be attributed to human activities.

Singer rebuts the global-warming scare stories bandied about in the media. A major

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one is that the seas will rise and inundate coastal cities. But 95 percent of the "greenhouse effect" is attributable to water vapor, and the effects of clouds on warming or cooling have never been accounted for in the computer models. Because of feedback effects, increased warming might lead to lower, rather than higher, sea levels. We simply don't know.

An increase in tropical diseases in temperate regions is also predicted. Singer argues that it is not temperature that brings these plagues, but lack of sanitation and health facilities—two things that come with economic development. Guess what will be slowed down by attempts to "fix" global warming.

Singer's book should be read by everyone who wants to be informed about the poverty of the science that purports to support global warming. □

*Ben Bolch is Robert McCallum Distinguished Professor of Economics at Rhodes College and coauthor of* Apocalypse Not: Science, Economics and the Environment *(Cato Institute, 1993).*

**The Twenty-First Century City**
by Stephen Goldsmith
Regnery Publishing • 1997 • 241 pages • $24.95

Reviewed by George C. Leef

Books by politicians. Seldom worth reading and rarely even worthy of the appellation "book," they are usually tedious pastiches of campaign blather, clichés, flattering photos, and anything else designed to help enhance election prospects. Don't waste your time.

But every now and then a politician writes a book that is not a waste of time, one that challenges rather than merely regurgitates accepted wisdom. Stephen Goldsmith, the mayor of Indianapolis, has done so in *The Twenty-First Century City*. The accepted wisdom among many Americans—and especially big-city mayors—is that cities cannot survive without costly "Marshall Plans" with Washington or the state capitals ladling in money to "solve" the crime problem, the educational problem, the transportation problem, and so on. Taxpayers have been mulcted for billions in urban aid over the last three decades, and yet most urban politicians cry for more.

But Goldsmith doesn't buy the accepted wisdom. On assuming the mayorship in 1992, he set about to demonstrate that cities can solve their own problems through common sense and reliance on the market. He built his administration around five principles:

- People know better than government what is in their best interest.
- Monopolies are inefficient, government monopolies particularly so.
- Wealth needs to be created, not distributed.
- Government should do a few things well.
- Cities must not raise taxes or price themselves out of competition with excessive regulations.

Acceptance of these ideas necessitates a drastic downsizing of city (and, in fact, all) government. Early on, Goldsmith instituted the "Yellow Pages Test," namely, if the city was doing something also done by companies advertising in the yellow pages, it should stop. Applying that test, he got Indianapolis out of the printing, window-washing, and nursery businesses (growing trees, that is—not the kind of government nursery our national nannies have in mind) among others.

But that was relatively easy. Goldsmith's real insight was in seeing that it would be possible to make a market where none existed so that taxpayers could reap the benefits of competition. He emphasizes repeatedly that it is not necessarily privatization but competition that enhances efficiency. Consider, for example, the towing of abandoned cars. It was a city monopoly. A look in the yellow pages found no firms doing it. Goldsmith wasn't satisfied with merely trying to get the city monopoly to become a bit more efficient. He decided to throw it open to bids from anyone with experience in the disposing of used cars.

The winning bid came from ADESA Auctions, which knew very well the business of selling used vehicles. The results were excellent. In the last year before competition, the

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city had towed 900 vehicles for a net loss of $174,000. In the first two years of the ADESA contract, the company towed over 2,300 abandoned vehicles, sold them, and paid the city $500,000. Competition works.

Harder cases: what about welfare and "public" education? Goldsmith calls for "An End to Social Programs," but this chapter title doesn't exactly convey the book's message. Ending social programs would entail the repeal of government handouts, relying completely on voluntary efforts to assist needy people. Goldsmith writes, "Welfare as a social program must cease to exist. In its place should be transitional help, job placement and family rebuilding. . . . Public assistance will be the bottom rung of a ladder toward self-sufficiency." No doubt that would be better than the status quo, but why accept the "need" for even bottom-rung public assistance? Why cave in to the idea that government at any level must be responsible for providing transitional help? We shouldn't.

On the subject of education, Goldsmith also stops short of the real solution. Unfortunately, mayors can neither change the state and federal laws that have so thoroughly mangled the market for education nor drop out of the system. But they are free to advocate the return to a free market. Goldsmith doesn't. He speaks favorably of the private Choice Trust scholarship program to help poor parents afford the tuition at private schools (a great idea that ought to be pushed from coast to coast), but is apparently willing to live with "public education" (*government schools*, as Milton Friedman insisted to him) as long as it contracts out noninstructional services to concentrate on "their core service." Education is just no business of the government and needs to be pulled out by the roots. If Mayor Goldsmith understands this, he didn't say it.

Nevertheless, there is a lot of good in this book. If you live in or near a city administered by politicians who are in the thrall of the accepted wisdom on urban policy (almost every one of them), I suggest buying it and then using it to do everything you can to make life miserable for your mayor. □

*George Leef is book review editor of* The Freeman *and coordinates FEE's Freeman Society discussion clubs.*

**Drawing Life: Surviving the Unabomber**
by David Gelernter
The Free Press • 1997 • 160 pages • $21.00

Reviewed by John Attarian

David Gelernter was a busy associate professor of computer science at Yale University, an artistic man who had entered software research because he wanted a trade. Then, going through his mail on June 24, 1993, he opened a book pouch from the Unabomber.

Badly mangled by the mail bomb—his right thumb and little finger gone, his right eye and lung badly damaged—Gelernter made a long, agonizing recovery; "it's much harder to put things back together," he writes, "than to smash them up." With that truth as its theme, *Drawing Life* is his recovery's narrative: absorbing, often moving, sometimes wryly humorous. Thus, on wearing an eye patch: "the elastic of the patch gives you a headache eventually—probably that's why pirates are always in such a bad mood—and I don't relish looking any stranger than strictly necessary, so hesitantly I remove it."

One sentiment conspicuously absent is self-pity. The media's fascination with him as a "victim" infuriated Gelernter, and he blasts the cult of victimhood, with its "demeaning and discouraging" promotion of self-pity. "A man wants to act, not be acted upon. Self-pity is a pile of bricks on your chest, and your real friends help you heave it off." Hear, hear.

Prompted by his experience to switch careers to painting and writing, Gelernter also grasped that "a writer has a duty to say what is wrong about life in his country, also, to say what is right." He uses his unique vantage point as a survivor of terrorism to make devastatingly apt observations on America, whose condition mirrors his: easily wrecked, hard to restore. Our passivity about bombings and other outrages—and, underlying it, a loss of capacity for moral outrage epitomized by the condemnation for being "judgmental"—especially appalls him. He rightly traces our explosion of crime and collapse of justice to our retreat from passing moral judgment and

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our blinking at the reality of evil, pointing out that "a society too squeamish to call evil by its right name has destroyed its first, best defense against cutthroats. Our best line of defense against crime is to hate it." Free societies, modern America demonstrates, can't beat crime by force alone. He also has hard and abundantly justified criticisms for collectivist feminism, which has been destructive of motherhood and the family; government schools; the collapsing respect for privacy; and collectivist intellectuals.

Gelernter attributes America's change to judgment-averse intellectuals, who occupy the commanding heights and have "destroyed something basic in this society that has yet to be repaired." That something is our prestigious colleges and universities, which now produce an intellectualized ruling elite hostile to, and anxious to coercively reform, both the American people and their beliefs.

While many factors have caused our troubles, Gelernter has ably fingered one of them. His prescription is a necessary step on the road back to national sense: reestablish institutions such as newspapers, magazines, and schools dedicated to truth-telling, high standards of workmanship, and affirming what's good about America. As he rightly observes, if we don't defend the good in our way of life, we risk losing it. Indeed, for all his anger, Gelernter is optimistic and affirmative: "To me no cause is lost," he proclaims, adding, "Only when the basics of culture and morality are under attack do we have the privilege of seeing their beauty (like stars when the city lights go dim) as clearly as we do today."

Besides being a wonderful read, a heartening account of triumph over a life-shattering setback, and a keen criticism of our time, Gelernter's memoir is a salutary reminder of the crucial importance of beliefs, character, and soulcraft for individuals and free societies alike. Civilization requires a sound moral sense and the courage to be "judgmental"; without them, it comes apart, and the innocent are prey to evildoers. Short but powerful and provocative, *Drawing Life* is a splendid small jewel of a book. □

*John Attarian is a freelance writer in Ann Arbor, Michigan, and an adjunct scholar with the Midland, Michigan-based Mackinac Center for Public Policy.*


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Government

# Social Justice

The pursuit of social justice probably accounts for most human misery. What's more, throughout history, one form of injustice has usually been replaced by another that is far worse. Russia's 1917 revolution expelling the Czars and their injustices ushered in Lenin, Stalin, and a succession of brutal dictators who murdered tens of millions in the name of the proletarian revolution. The injustices of Chiang Kai-shek were replaced with those of Mao Zedong; Castro's ousting of Batista and Ayatollah Khomeini's toppling of the Shah of Iran produced regimes far more brutal. After Africa became independent the injustices of colonial powers were replaced with those of brutal dictators.

The slaughter of nearly 200 million poor souls, not including war deaths, during the twentieth century was a direct result of the pursuit of visions of social justice, such as income equality, the common good, and the various alternatives to the so-called evils of capitalism. As if by design, measures taken to produce what was seen as the good society lowered both the common man's human-rights protections and his standard of living.

By contrast, after the American revolution, we laid the groundwork that produced the world's freest people. However, for most of the twentieth century, we have been losing ground. If you ask which way are we heading—away from totalitarianism or toward it—there is no question that, by tiny steps, we are heading toward totalitarianism and arbitrary governmental abuse and control.

Some Americans are naïve enough to think that the oppression seen in other countries can't happen here. But let's not forget that the country that gave the world great men like Goethe, von Humboldt, Beethoven, Bach, and Schiller also gave us Auschwitz, Buchenwald, and Treblinka. Also keep in mind that it was German-Americans who helped create the underground railroad to assist runaway slaves, and it was German-Americans who had the best reputation for getting along with the Indians. Let's also not forget that pre-Nazi Germany provided Jews with one of the most hospitable climates in Europe, so much so that during the early 1900s, in nearly one-half of all Jewish marriages, one of the spouses was a German gentile.

If social justice has any operational meaning at all, it is that the purpose of law is to prevent one person from violating another person's right to acquire, keep, and dispose of property in any manner so long as he doesn't violate another's simultaneously held rights. In other words, laws should be written to prevent force and fraud. Laws that force one person to serve the purposes of another are immoral. These values, expressed in our Declaration of Independence as the unalienable rights to life, liberty, and the pursuit of happiness, guided the framers in the writing of our Constitution and Bill of Rights. Today, our government has become increasingly destruc-

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tive of the ends it was created to serve. Americans have become increasingly hostile and alien to the liberties envisioned by the framers. We have disregarded the inscription that graces the U.S. Department of Justice: "Where the law ends tyranny begins."

## Why Is Slavery Immoral?

Most people agree that slavery is immoral. But what makes it so? Slavery denies a person the right to use his property (body) and the fruits of his labor as he sees fit. Slavery forcibly uses one person to serve the purposes of another. Tragically, most Americans, including blacks, whose ancestors have suffered from gross property-rights violations, think it quite proper for one person to be forced to serve the purposes of another. That's what income redistribution really is. That's also what theft and robbery are. We could call slavery income redistribution. Income redistribution, theft, and slavery are all practices in which the fruits of one person's labor are confiscated for the benefit of another.

Article I, Section 8, of the U.S. Constitution enumerates the functions of the federal government and gives it taxing authority to carry out these functions. For the most part these functions relate to national defense, federal courts, copyrights and patents, coining money, borrowing, and a few other activities. With even a cursory reading of the Constitution, one cannot find any authority for Congress to confiscate the property of one American and give it to another. Yet this activity now constitutes over two-thirds of federal expenditures that will top $1.7 trillion dollars in 1998. Expenditures that have that characteristic include Social Security, food stamps, farm subsidies, business bailouts and subsidies, disaster insurance, and expenditures by the departments of Health and Human Services, Housing and Urban Development, Agriculture, Commerce, and Education. These government activities and many others have been justified in the name of promoting social justice.

In the pursuit of social justice, personal liberty has become a secondary or tertiary matter. Consider the following as just one example: suppose a citizen, as an emancipated adult, sent the following affidavit to Congress: "I hereby renounce any claim to Social Security benefits and Medicare services. If I don't prepare for my later years or poor health, I shall depend on the charity of others or suffer the consequences. Release me from further Social Security and Medicare 'contributions.'" A safe bet is that Congress would greet such an affidavit with contempt.

## The Price of Abstaining

Suppose I refused to make payments into Social Security. What would happen to me? First, a fine would be assessed. Suppose I refused to pay the fine? I'd be threatened with property confiscation. Then suppose I tried to protect my property from the actions of the agents of Congress? I would surely be killed.

You say, "But Williams, you're violating the law; people can't go about deciding which laws they will obey!" My response is that laws do not determine what is or is not moral conduct. In Nazi Germany, there were laws that required the reporting of a person hiding a Jew. In our country, the Fugitive Slave Act made assisting runaway slaves a crime. In apartheid South Africa, hiring blacks for certain work was illegal. In the former East Germany, assisting people in their efforts to escape to the West was illegal. Would any decent person demand that any of these laws be obeyed? Decent people must always ask: does the law have a moral basis?

Liberty is not mankind's normal state of affairs. Liberty is fragile. Our liberties are under siege because most Americans are ignorant about our Constitution and its philosophical underpinnings. Thus, we fall easy prey to political charlatans and quacks all too ready to exploit this ignorance in their quest for power and to satisfy popular visions of social justice. □

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# 3 Libertarian Essays

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—David Boaz, Author, ***Libertarianism: A Primer;***
Executive Vice President, Cato Institute

The first two essays in this collection explore the moral consequences of government policy. Those consequences are personal, as the rules within which one lives affect the meaning of one's life, and political, as the character of a people affects the determination of policy, partly by affecting the extent to which justifications for policy become valid. The two essays develop the idea of dignity, and argue that blows to liberty and blows to responsibility feed on each other through dignity. Morals and government policy work as an interdependent system, a system which might begin steering itself toward results no one originally wanted.

Professor Klein's third essay is titled "If Government Is So Villainous, How Come Government Officials Don't Seem Like Villains?" It explores beliefs within government agencies and suggests that in government honest people believe in the goodness of bad policies. Like the previous essays, it maintains that communities work by cultural systems and the yearning to find meaning in life.

The Occasional Paper suggests that liberty is the legal framework that best suits the meaning-seeking animal.

**DANIEL B. KLEIN received his bachelor's degree in economics at George Mason University (1983) and his doctoral degree at New York University (1989). He is now associate professor of economics at Santa Clara University. He has worked and published with the Cato Institute, the Reason Foundation, the Independent Institute, the Institute of Economic Affairs, the Brookings Institution, and the Foundation for Economic Education.**

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